Cars in Europe
The new challenge from Japan
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Making R&D pay on the bottom line
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Do or die
How tonight's debate may swing the French vote
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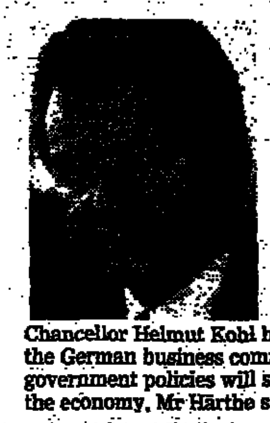
NEWSPAPER of THE YEAR

FINANCIAL TIMES

Thursday September 3 1992 | EUROPE'S BUSINESS NEWSPAPER | D8523A

Kohl out of touch with business, says industry chief



The resignation this week of Mr Heinrich Weiss, (left) president of BDI, the federation of German industry, showed the gravity of the "disastrous development" in the government's relations with the business community, said Mr Dieter Härthe, chief executive of the federation of medium-sized businesses, BVMW. Chancellor Helmut Kohl has lost contact with the German business community, and current government policies will sooner or later ruin the economy, Mr Härthe said. Page 14

UK border compromise: The UK and EC are close to a compromise on the long-running dispute over Britain's insistence on retaining border controls on people beyond the end of this year. Page 14

Briton jailed in Iraq: British cyclist Michael Wainwright has been sentenced to 10 years in an Iraqi jail for entering the country illegally, the Foreign Office said. Iraq faces protest; UN says N-threat over, Page 7

Nato to back UN in Bosnia: The Nato allies agreed to offer troops and other support to the United Nations in protecting aid deliveries to Bosnia. Timing critical as Yugoslav peace talks resume, Page 3

Royal Bank of Canada, the country's biggest financial institution, suffered a 57 per cent plunge in third-quarter income, largely due to further write-downs on its loans to ailing property developer Olympia & York. Page 15

Euro Disney, is reshuffling its senior management in an attempt to improve the performance of its theme park outside Paris and its merchandising interests. Page 15

Bush presses Mideast leaders: President George Bush and Mr Lawrence Eagleburger, his acting secretary of state, will today complete a round of contacts with Middle East leaders aimed at accelerating the peace process. Page 7; US and Israel under fire at Jakarta talks, Page 7

Bowater, diversified packaging and printing business newly installed in the FT-SE 100 index, produced a 19 per cent improvement in interim pre-tax profits to £62.4m ($124.2m) as it digested recent acquisitions and improved operating margins. Page 15; Lex, Page 14

Collor loses support: The last pillar of support for Brazilian president Fernando Collor collapsed with the decision by the main pro-government party to free its congressmen to vote in favour of Mr Collor's impeachment. Page 6

Toyoda Machine Works, Toyota Motor affiliate, plans to close a French machine tool plant once viewed as the company's strategic foothold in the European market. Page 17

Bofors scandal: An Indian court ruling virtually quashed the investigation into the Rs14.5bn (£256m) Bofors scandal after government agencies failed to establish that the Swedish arms company had bribed the Indian government to secure a big order in 1987. Page 7

CRH, international building materials group and one of Ireland's biggest companies, announced pre-tax profits for the six months to June 30 up by 7 per cent from I£21.1m to I£22.6m. Page 20

Ukraine strike: An indefinite general strike paralysed Ukrainian airports and train stations, just as the country prepared to enter the International Monetary Fund. Page 3; G7 silent on Russian rescheduling, Page 4

Former Polish PM murdered: Former Polish Communist prime minister Piotr Jaroszewicz was found tortured and hanged beside his wife's dead body in their Warsaw home. Page 4

'Final push' on trade talks: EC and US trade negotiators are engaged in a "final push" to achieve a breakthrough by mid-October in the Uruguay Round world trade liberalisation talks. Page 5

Somalia famine: Britain will lead an EC fact-finding mission to Somalia this week as criticism mounts of poor co-ordination of international famine relief to the east African state. France is to extend a relief airlift until the risk of starvation had been eliminated. UN's plans anger Somali strongman, Page 7

■ STOCK MARKET INDICES		
FT-SE 100:	2,313.0	(+14.6)
Yield	5.23	
FT-SE Eurotrack 100	1,011.19	(+3.40)
FT-A All-Share	1,094.45	(+0.4%)
FT-A World Index	141.94	(-0.1%)
Nikkei	17,587.72	(−152.34)
New York:		
Dow Jones Ind Ave	3,298.31	(+24.05)
S&P Composite	417.98	(+1.91)
■ US CLOSING RATES		
Federal Funds:	3%	(3¼%)
3-mo Treas Bills: Yld	3.199%	(3.209%)
Long Bond	98½	(98⅞)
Yield	7.368%	(7.372%)
■ LONDON MONEY		
3-mo Interbank	10½%	(10⅝%)
Liffe long gilt future:	Sep 95¼	(Sep 94½)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Oct)	$20.125	(20.025)
■ Gold		
New York Comex (Sep)	$338.5	(340.8)
London	$339.3	(342.45)

■ STERLING		
New York:		
$	1.9993	(2.002)
London:		
$	2.004	(1.997)
DM	2.7675	(2.7825)
FFr	9.5	(9.485)
SFr	2.495	(2.475)
Y	246.25	(245.5)
£ Index	92.2	(92.1)
■ DOLLAR		
New York:		
DM	1.3842	(1.39)
FFr	4.7615	(4.7385)
SFr	1.2434	(1.2365)
Y	123.15	(122.655)
London:		
DM	1.3985	(1.3935)
FFr	4.74	(4.76)
SFr	1.2385	(Same)
Y	122.85	(122.9)
$ Index	58.2	(Same)
Tokyo close: Y 122.63		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.250	Iceland	IKr180	Morocco	MDh15	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Bulgaria	Leva25	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Cyprus	C£1.00	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Czech	Kcs35	Italy	L2800	Oman	OR1.50	Syria	SyP50.00
Denmark	DKr14	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
Finland	FM10	Kuwait	Fils 600	Poland	Zl 18,000	Turkey	L6000
France	FFr8.50	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00
Germany	DM3.30	Lux	LFr60	Qatar	QR12.00		
Greece	Dr250						

Narrow majority for treaty seen as Europe's leaders move to support Mitterrand

French opinion polls back Maastricht

By David Buchan and Alice Rawsthorn in Paris

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■ Bangemann accuses French of anti-German sentiment
■ Wrong end of the stick
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■ ERM pressures easing

TWO opinion polls yesterday forecast that France would narrowly approve the Maastricht Treaty on European Union at a referendum this month, as European leaders rallied to support President François Mitterrand in his campaign for a Yes vote.

Mr Mitterrand, who will tonight take part in his first television debate in four years, has been under growing pressure since opinion polls began to show a majority against the treaty a week ago.

Other European leaders, with their own agendas at stake, have begun adding their weight to the Yes campaign this week. Mr Felipe Gonzalez, the Spanish prime minister, was due to speak later last night at a Socialist party meeting in Strasbourg.

Tonight Mr Helmut Kohl, the German chancellor, is expected to make a satellite appearance on French television.

The debate between the socialist French president and Mr Philippe Séguin, the most prominent neo-Gaullist opponent of the treaty, will set the tone in the final stage of the referendum campaign, which is now balanced on a knife edge.

Two polls published yesterday showed a shift in sentiment towards a small majority for the Yes faction.

The BVA/Paris Match poll suggested that 51 per cent of the electorate will support ratification. The same poll last week indicated that exactly the same proportion would vote No. An Ipsos/Le Point poll suggested a 53 per cent majority in favour, against last week's poll which suggested the Yes faction would lose with just 48 per cent of the votes.

The debate will also offer a chance for the president to salvage his political credibility at a time when his popularity is falling and his future has been called into question. The anti-Maastricht camp has been trying to turn the referendum into a vote of confidence in Mr Mitterrand and the government.

A *BVA/Paris Match* poll published yesterday showed that the president's approval rating has fallen from 35 per cent to 33 per cent in the past month. This means that he is uncomfortably close to his all-time popularity poll low of 31 per cent on the eve of this spring's regional elections.

Mr Bérégovoy, the socialist prime minister, whose appointment after the regional elections briefly boosted the president's poll standing, has seen his approval rating fall from 41 per cent to 35 per cent since July.

Mr Mitterrand and the socialists do at least have the consolation that public opinion seems to be moving back in favour of ratifying the treaty after last week's shock when, for the first time, some polls suggested that the No camp was in the majority.

Yesterday's polls reflect the general trend in which all three of the polls published previously this week said the French will endorse the treaty, albeit by a slim margin.

The constitutional court yesterday rejected an appeal by conservative opponents of the treaty, who had been trying to block ratification on constitutional grounds.

The French stock market, which was depressed last week by the threat of a negative referendum result, recovered momentum yesterday. The CAC 40 Index ended the day 1.57 per cent higher at 1,700.50.

● The French industrial establishment yesterday threw its weight behind European union. The Patronat, which represents France's biggest companies, voiced support for ratifying the Maastricht treaty and warned of the dangers of rejection.

UK underlines vote's importance

By Alison Smith in London

THE BRITISH government will withdraw the bill to ratify the Maastricht treaty from parliament if France votes No in the referendum later this month, the prime minister's office said yesterday, underlining the crucial significance of the result for Britain and the rest of Europe.

Officials also confirmed that contingency plans were being drawn up to cope with the political and economic turbulence that would follow an outright rejection of Maastricht by the French electorate on September 20.

Britain, as the current president of the EC, would expect to take the initiative in picking up the pieces of the process towards economic and political union.

Plans for co-ordinated action by European finance ministries and central banks to deal with the probable disruption in the currency markets that would follow a No vote will be discussed at this weekend's informal meeting of EC finance ministers in Bath, southern England.

Analysts warn that a No vote could trigger an even stronger flow of funds into the D-Mark, pushing weaker currencies such as sterling closer to their floor levels in the exchange rate mechanism, and forcing monetary authorities either to raise interest rates or mount expensive currency support operations.

Britain's decision to scrap the Maastricht ratification bill in the event of a No vote contrasts sharply with that of other European governments

In Italy, Mr Emilio Colombo, foreign minister, said Rome should try to ratify the treaty in at least one house of parliament before September 20 to show commitment to integration.

In Bonn, a German foreign ministry spokesman declined to speculate on his country's ratification process.

"It's downright foolish politically to start speculating now about what would happen if the referendum in France is negative," spokesman Mr Hanns Schumacher told journalists.

The UK government is facing renewed domestic criticism over its stance on Maastricht, with some evidence of confusion among MPs about what the UK is trying to achieve.

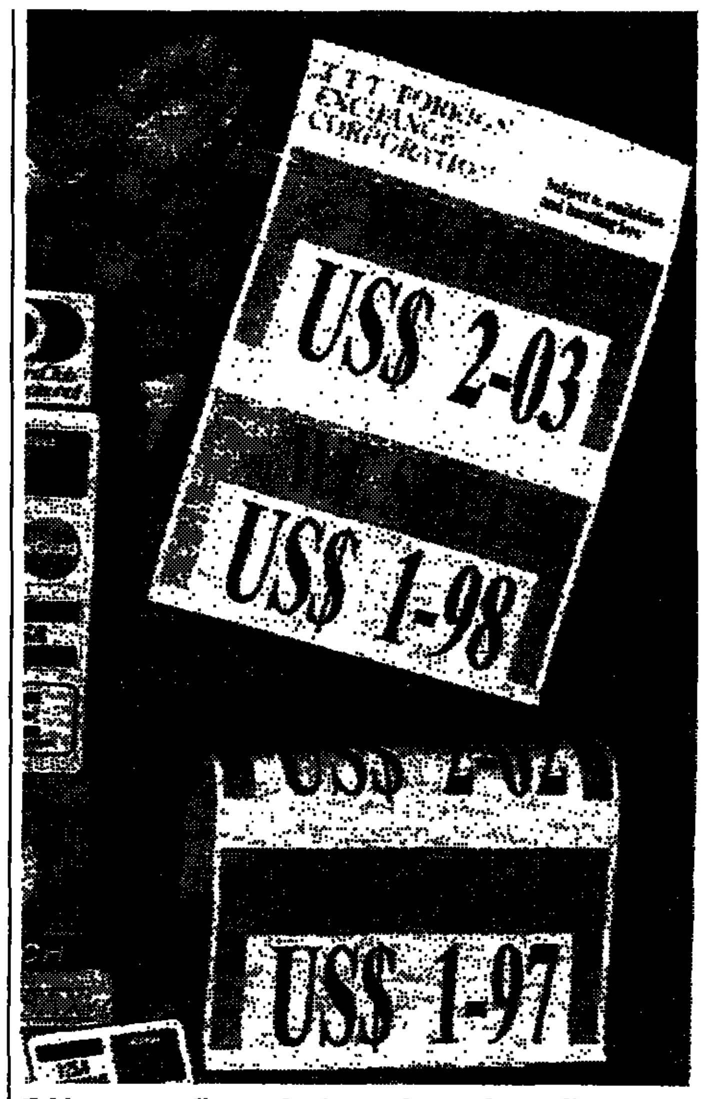
Officials insist, however, that Mr John Major, the prime minister, is committed to the Maastricht deal, and point out that a rejection of the agreement would cast a deep shadow over the UK presidency, detracting from the UK's priorities of completing the single market and extending links with central and eastern Europe.

British Euro-enthusiasts have criticised Mr Major's refusal to take part in tonight's French television debate with President François Mitterrand on the treaty, while Euro-sceptics believe insufficient account has been taken of the Danish rejection of the agreement.

Unlike Germany's chancellor Helmut Kohl, Mr Major's decision not to take part in the French television debate can readily be seen as no more than routine political caution, given the difficulties such an intervention might cause him within his own party.

Officials insisted that the refusal to take part did not arise from any nervousness about the result of the referendum.

Mr Paddy Ashdown, Liberal Democrat leader, said Mr Major had a peculiar way of showing his desire for the UK to be at the heart of Europe, and added that it would be no surprise if other EC countries received the impression that "the British commitment to Maastricht is lukewarm at best".



Taking a pounding: a foreign exchange dealer displays the latest dollar-sterling rate for tourists in London yesterday

Volvo to cut truck business costs

By Robert Taylor in Stockholm

VOLVO, the Swedish automotive manufacturer, is planning further severe cost cuts in the face of deepening financial problems. The company yesterday confirmed that it intends to push through a SKr2bn ($392m) rationalisation programme in its ailing truck division over the next three years.

The group is also believed to be considering the closure of one of its smaller car production plants in Sweden. The most likely casualty appears to be the company's former showcase operation at Kalmar on the Baltic Sea, which employs 800 people, producing the luxury 960 model.

This plant was established in 1976 and won international renown for the production of new production techniques, involving the abolition of the traditional assembly line. The Uddevalla plant in south-west Sweden, which was only opened in 1989, could be an alternative choice for closure.

The company said the decision on the closure had not been taken. But last week Mr Soren Gyll, chief executive, said "nothing was holy" in the company any longer.

Any decision to close either Kalmar or Uddevalla would be fraught with social and political consequences as unemployment continues to climb in Sweden. It would also be seen as a personal setback to the dreams of Mr Pehr Gyllenhammar, Volvo's charismatic executive president who inspired and pioneered the new methods of auto production.

After an emergency board meeting on Friday, Volvo informed the Swedish trade unions that the company was being forced to restructure its truck operations in the face of deteriorating market conditions in Europe and North America.

All truck plant managers have been instructed to identify potential savings and rationalisation measures by the end of October. Mr Sten Langenius, head of Volvo truck division, said that he was convinced that the cost savings and other moves being planned would safeguard its future when the economic upturn came.

Volvo pointed out to the unions that last year the total market for heavy trucks dropped by 13 per cent in Europe and in 1992 would decline a further 7 per cent. It added that in the Nordic region where Volvo was the market leader there had been a 29 per cent drop in the first six months of this year.

Volvo last week announced an first-half operating loss of SKr835m and a deficit after financial items of SKr103m. Since it began its rationalisation in 1990 Volvo has cut annual costs by SKr4.1bn. By the end of this year, its annual cost level will have been reduced by about SKr5.2bn.

BA in advanced talks to buy large stake in French airline

By Paul Betts, Aerospace Correspondent, in London

BRITISH AIRWAYS is in advanced negotiations to buy a large minority stake in a French regional airline, Transport Aerien Transregional.

The move is part of BA's strategy of acquiring stakes in smaller carriers in large European countries in order to take advantage of the new single European air market which starts next year.

The deal would follow BA's acquisition earlier this year of a 49 per cent stake in Delta Air, a German regional carrier which has since been renamed Deutsche BA.

European airline industry officials said yesterday the negotiations between BA and TAT were at a critical point.

However, Sir Colin Marshall, BA's deputy chairman and chief executive, declined to comment on the TAT negotiations. But he confirmed that at the same time as negotiating its global alliance with USAir – in which BA is planning to invest $750m (£375m) for a 44 per cent stake – the UK carrier was seeking regional airline partnerships to strengthen its European network.

A deal with TAT is expected to spark a fierce reaction from Air France, the French flag carrier which was forced to dispose of its 35 per cent stake in the regional carrier last year.

Air France sold its stake in TAT as part of an agreement with the European Commission to enable it to take control of Air Inter, the French domestic carrier, and UTA, the independent French long distance airline.

Mr Bernard Attali, Air France chairman, has already warned he will make life difficult for BA in France if the deal with TAT is concluded.

TAT employs about 3,100 people, has annual sales of about FFr2.4bn ($500m) and runs a fleet of 50 aircraft. It operates a network of domestic routes and is expanding into European regional services, including flights to the UK.

Mr Michel Marchais, founder and main shareholder of TAT, indicated in February he would be prepared to sell part of his family's 72 per cent controlling interest in the airline. He is understood to have approached BA earlier this year.

Sir Colin said at a Financial Times aerospace conference yesterday that BA's strategy of becoming a global airline was "well on the way to becoming a reality" with the proposed USAir and European joint ventures.

BA-USAir deal, Page 5
City Airport stake offer, Page 8

CONTENTS

Bangemann accuses French of anti-German sentiment

By Lionel Barber in Brussels

MR Martin Bangemann, the most senior German politician in the European Commission, yesterday accused French supporters of the Maastricht treaty of whipping up anti-German sentiment to secure a "Yes" vote in this month's referendum.

Mr Bangemann, the EC commissioner for the internal market, said it was dangerous and irresponsible for French politicians to argue that the Maastricht treaty on economic and political union was the best means to control German power in Europe.

"I hope Maastricht is ratified," he said, "but I can only put up with this (talk) for so long."

Mr Bangemann, a strong advocate of European political and economic union, said he was disappointed at the way French politicians were suggesting that a united Germany might revert to its Nazi past, or that it might wish to break out of the constraints of the EC. "It is a cheek," he said.

Leading French proponents of Maastricht, including Mr Pierre Bérégovoy, the prime minister, Mr Laurent Fabius, chairman of the socialist party, and Mr Michel Rocard, a potential socialist presidential candidate, have all responded to growing opposition to Maastricht by invoking fear of a resurgent Germany.

Mr Fabius recently spoke of the danger of German "demons" being unleashed if the Maastricht treaty is rejected on September 20.

German newspapers have begun to register alarm at the revival of the "ugly German" being raised in support of the treaty which, they point out, was intended to reinforce the post-war partnership between France and Germany within the European Community.

Chancellor Kohl plans to take part in a French television debate today to support President Mitterrand against his anti-treaty opponents.

Mr Bangemann, without naming the culprits, claimed French politicians were out of touch with the feelings of the French public which saw Germany as a friend.

Mr Bangemann said it would be far better for proponents of the treaty to focus on the domination of the German mark and the power of the Bundesbank which, by fulfilling its narrow obligation of maintaining price stability, was doing great harm to the economies of Italy, France and Great Britain.

The Maastricht treaty, which sets out a path for a common European currency and a European Central Bank, would strip national institutions such as the Bundesbank of their sovereignty. "In France, not everybody has understood that European union will do away with the domination of the Bundesbank," he said.

Echoing fears expressed this week by his fellow EC commissioners, Sir Leon Brittan, the senior British commissioner, and Mr Karel Van Miert, the Belgian socialist, Mr Bangemann said French rejection would be a catastrophe. It would allow all 12 member states to re-open agreements and roll back progress made on the single integrated market.

Wrong end of the Maastricht stick

Campaigners are misinterpreting the treaty for their own ends, reports David Buchan

FOR all the fateful international consequences of their September 20 verdict on the Maastricht treaty, most French voters will have uppermost in their minds domestic considerations – the future of President Mitterrand, recent scandals involving senior socialists, and worries about job security in a sluggish economy.

But, formally, the debate over the next two and a half weeks, now at last reaching fever pitch, is supposed to turn on the pros and cons of European political and monetary union. Both sides in the referendum battle are having great difficulty in drawing accurate information from the dry Maastricht treaty to suit their campaigns.

The "Yes" and "No" coalitions are, unwittingly or (more often) wittingly, misinterpreting Maastricht. Of the two camps the treaty rejectionists appear to be rather more successful in getting the wrong end of the Maastricht stick, or making insufficient political use of the correct end of the Maastricht stick, or simply blaming on a treaty that has yet to come into force existing irritations with Brussels that have flowed from the 1986 Single European Act and the European Community's internal market programme.

The French are not alone in this. Debates about Maastricht in other European countries, notably Britain, have been similarly distorted through the prism of domestic politics.

One theme, stressed by all "Yes" campaigners ranging from socialist ministers, to Mr Raymond Barre, the former Giscardien prime minister, to Mr Edouard Balladur, leading member of the neo-Gaullist RPR, is that Europe and France now need Maastricht to contain the growing political and monetary strength of newly enlarged Germany. If diplomatically put, this is a point which is accepted by many Germans, including Chancellor Helmut Kohl, who will speak in favour of Maastricht on French television tonight.

The main parties

What their leaders are urging and what their supporters intend to do*.

The right

UDF: Leadership under conservative former President Valéry Giscard d'Estaing, says 'Yes'. But minority faction led by nationalist Philipe de Villiers says 'No', as does 39% of party's traditional supporters.

RPR: Gaullist party leader Jacques Chirac gives reluctant 'Yes'. But two-thirds of party's members of parliament, led by Philippe Séguin and Charles Pasqua say 'No', as does a similar proportion of party voters.

National front: The extreme-right leadership says 'No' and is supported by 88% of its voters.

The left

Socialists: Leaders of President Mitterrand's party say 'Yes' but are being defied by the 19% loyal to five members of parliament led by former Defence Minister Jean-Pierre Chevénement.

Communists: Leadership says 'No' and 61% of party supporters agree.

The Greens

Génération Ecologie: Leadership says 'Yes' but is opposed by 38% of its supporters.

Les Verts: Unable to adopt official position despite pro-Maastricht stance of party leader Anton Waechter. However, 47% of the party's supporters say 'No'.

* According to end-of-August opinion polls conducted by SOFRES for TF1 and Le Figaro, and BVA for Paris Match.

The main points of the Maastricht treaty

Political union

Inter-governmental foreign and security policy "which might in time lead to a common defence"

European citizenship.

More extensive social policies (not applied to UK).

Central role for principle of subsidiarity (decision-making close to the people).

Inter-governmental framework for justice and home affairs.

Modest increase in powers for European parliament.

Upgrading of court of auditors.

Economic and monetary union

Commitment to economic and monetary union by 1999 for countries which fulfil economic criteria.

Increased pressure for countries to keep exchange rates stable in European Monetary System.

Cohesion fund to help poorer countries.

European monetary institute to be set up in 1994 as forerunner to European central bank.

But, in seeking to back up this general point, the "Yes" campaigners stray from the real import of the Maastricht treaty. Most of them lay too much store by Maastricht's vague provisions for common EC foreign policy actions which can be exploited. Mr Jean-Pierre Chevènement, the Socialist renegade and former minister, pointed out quite correctly that this kind of chain-gang diplomacy allowed Germany to hustle its EC partners into recognising Croatia in December, leading to an escalation of the Yugoslav war.

By contrast, few "Yes" campaigners, with the exceptions of Mr Pierre Bérégovoy, the Socialist prime minister, and Mr Balladur, make sufficient political capital out of Maastricht's very concrete provisions for economic and monetary union (Emu), and the way in which France can recover some control over its monetary policy through Emu.

It is at least highly appropriate that Mr Balladur should make this point, because it was he, as French finance minister, who in 1987-88 started lobbying his EC colleagues for a European central bank and an end to German dominance of Europe's money.

"Without a European currency, Germany will stay free to act as it likes," Mr Balladur wrote this week. "This is the present situation which is the most damaging to France's sovereignty."

To considerable political effect, but with little real justification, warnings about Maastricht bringing France higher unemployment and taxes loom metres-high on the "No" campaigners ubiquitous billboards.

The rejectionists are right to claim that the Maastricht criteria for Emu are generally deflationary. But passage of the treaty is most unlikely to cause further austerity for France, one of only three EC states which already meets the Maastricht targets on inflation, public spending and debt, as it surely will for a country like Italy that has yet to bite the bullet of financial discipline.

Proposals to tighten the EC's purse strings are at least an easy way of getting back at the Brussels bureaucracy – one enemy the French electorate has clearly identified to pollsters. A close reading of Maastricht shows the treaty does little to increase the power of Mr Delors and his Eurocrats. Indeed one of the Mr Delors' initial gripes was that Maastricht puts the making of foreign and internal security policies squarely in the hands of governments, not of the Commission.

There may, however, be some rough political logic in believing that a defeat for Maastricht would intimidate the EC bureaucracy, particularly Sir Leon Brittan's trust-busters and state aid controllers whose activities have riled French governments.

An equally strong complaint of the "No" campaigners is that Maastricht would see a tide of immigrants and criminals washing into France. This fear is being exploited most obviously by Mr Jean-Marie Le Pen, the National Front leader, but also by rebels like Mr Philippe de Villiers of the UDF.

Yet the *"frontier control"* pass has already been sold, with France's ratification of the Single European Act and the Schengen free-travel treaty.

Maastricht's proponents in France are exaggerating when they prophesy Armageddon if the treaty dies on September 20. But the other side is being even more disingenuous in forecasting business as usual.

A quick and smooth renegotiation is most unlikely. One just has to recall that Ireland's partners refused this spring to let Dublin excise one sentence about abortion from the signed treaty text, to see how nervous they all were and are about tampering with the Maastricht construct.

This is the first dispatch from Paris by David Buchan, formerly chief of the FT's Brussels bureau.

Industrialists back European union

By Alice Rawsthorn in Paris

THE French industrial establishment yesterday threw its weight behind the European union as the Patronat, which represents France's biggest companies, voiced support for ratifying the Maastricht treaty and warned of the dangers of rejection.

Mr François Perigot, president of the CNPF, said that European union offered a real opportunity for France, and its fellow member states, to strengthen their political and economic status thereby enabling the European Community to establish itself as a significant presence in the international market place.

"Europe has not yet demonstrated its political power to the rest of the world," he said. "It could do so by showing a common political will and by gaining control of a world currency."

Mr Perigot criticised the Maastricht treaty's architects for failing to consult with the business community and for dragging out the path towards monetary union.

However, the CNPF warned that a negative result in the September 20 referendum could have dire economic consequences for France, triggering an immediate loss of confidence by international investors, resulting in a lower franc and higher interest rates.

French industry is already under pressure because of the comparatively high cost of borrowing Mr Ernst-Antoine Seillière, economic adviser to the CNPF, said a collapse of international confidence after a "No" vote would make it even more difficult – and expensive – for French companies to raise capital for investment.

In the medium term, he warned that France could become isolated in a Europe in which the monetary system would be dominated by the D-Mark. This isolation, he said, also raised the spectre of international investors diverting funds originally intended for France to other countries, such as Spain or Germany.

Séguin: French crusader goes into battle against Mitterrand tonight

William Dawkins profiles the bulky Gauloise-smoking opponent of Maastricht

MR PHILIPPE Séguin, the thinking Frenchman's crusader against the Maastricht treaty on European Union, tonight does battle against a cornered President François Mitterrand.

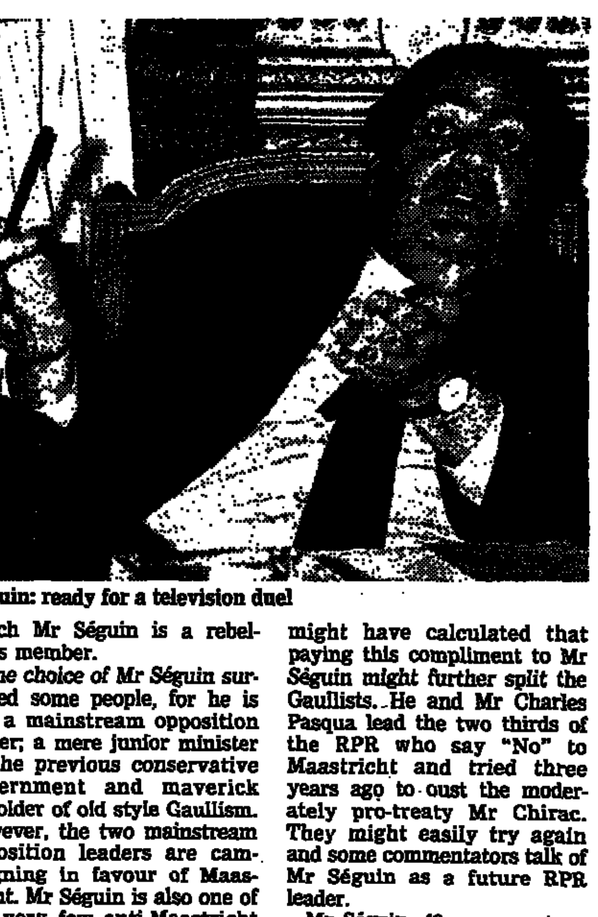
The bulky, Gauloise-smoking conservative has been chosen by Mr Mitterrand for a televised verbal duel on the pros and cons of Maastricht. The stakes are very high.

The president is under pressure from some quarters to resign, in order to let voters decide in the September 20 treaty referendum unencumbered by their feelings over his battered personal image.

Mr Mitterrand, alarmed by the recent surprise swing of public opinion against the treaty, chose to face Mr Séguin because he wanted to settle the score with possibly the most active and articulate campaigner against the treaty.

If Mr Séguin pushes hard and cleverly enough, he could force Mr Mitterrand to clarify his intentions as well as increase the "No" vote. At the very least, the quality of their performance could give a much needed steer to the French public's complex and volatile feelings about Mr Mitterrand and Europe.

This is the first time Mr Mitterrand has faced down an opposition politician live on television for more than four years. That was in the 1988 presidential election debate with Mr Jacques Chirac, leader of the RPR Gaullist party, of which Mr Séguin is a rebellious member.



Séguin: ready for a television duel

The choice of Mr Séguin surprised some people, for he is not a mainstream opposition leader, a mere junior minister in the previous conservative government and maverick upholder of old style Gaullism. However, the two mainstream opposition leaders are campaigning in favour of Maastricht. Mr Séguin is also one of the very few anti-Maastricht campaigners to abstain from dragging Mr Mitterrand's battered image and the socialists' record into the European union campaign.

The wily Mr Mitterrand might have calculated that paying this compliment to Mr Séguin might further split the Gaullists. He and Mr Charles Pasqua lead the two thirds of the RPR who say "No" to Maastricht and tried three years ago to oust the moderately pro-treaty Mr Chirac. They might easily try again and some commentators talk of Mr Séguin as a future RPR leader.

Mr Séguin, 49, an expert on Napoleonic history, is a defender of French sovereignty to the bottom of his soul. Born and educated in Tunisia before independence, his deep patriotism is a feature of the so-called "pieds noirs." He is not against the European Community, but argues that the treaty is dangerously ambiguous and makes possible an uncontrollable transfer of sovereignty from national governments to Brussels.

A single European currency would signal the end of independent national economic policies, without providing a better curb on exchange rate instability than the European Monetary System as it is now, he argues. An independent European central bank would be dangerously unaccountable. France should hold out for a renegotiation.

Mr Séguin's vision of Europe is exactly in line with General de Gaulle's idea of a flexible community of independent states. "Yes, we want Europe, but upright," Mr Séguin told parliament in June, echoing a de Gaulle pronouncement on France's entry into the EC. The anglophile Mr Séguin's policies would go down well among many UK conservatives. Indeed, he once likened himself to the Tory wets.

Mr Séguin has no time for socialist ministers' warnings of economic armageddon in the event of a "No" vote. He recalls the time the French parliament rejected plans for a European defence community in 1954, despite jittery post-war predictions of armageddon. In the event, Europe grew up peacefully without a defence community, just as it will without Maastricht, he says.

Swedish premier makes a passionate plea to vote 'Yes'

By William Dawkins in Port d'Albret

MR Carl Bildt, the Swedish prime minister, yesterday warned that a French vote against European union could contribute to instability in central and eastern Europe.

"This is as important as the years immediately after both world wars," said Mr Bildt, in an impassioned plea for a French "Yes" on September 20, issued at a youth meeting of the European Movement – a European lobby group – in southern France.

This is the first such appeal in France's Maastricht referendum campaign from a head of government of a country applying to join the European Community.

Mr Bildt was invited precisely to drive home to French voters the wider impact of their decision, said Mr Jean François Poncet, former French foreign minister and president of the European Movement in France.

Political and monetary union in western Europe would provide a stable model as an alternative to countries like Yugoslavia riven by "the forces of aggressive nationalism," said Mr Bildt.

"If that alternative is not offered by a European union that works, these forces could well grow in power to the danger of us all."

Until now, the European Community had grown up mainly to serve its own members' needs, from ensuring peace to dismantling trade barriers. External demands would take increasing prominence, so intensifying the need for increased security and foreign policy co-ordination, he argued. It was vital for Sweden to be part of a strong European union, because it did not want to be a "footnote country."

A French "No" would harden the small majority of Swedish public opinion currently against EC membership, though Mr Bildt believed opinion would swing back again by the time Sweden holds its own referendum in 1994.

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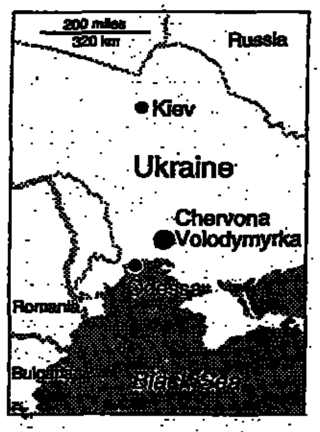
Ukraine aims to rebuild a community

Ethnic Germans are being urged to resettle, says Chrystia Freeland

THE dusty village of Chervona Volodymyrka, 100km north-east of Odessa, has become a test of Ukraine's efforts to create a multi-cultural nation. In contrast to the "ethnic cleansing" being conducted in the former Yugoslavia, the Ukrainian government is encouraging ethnic Germans expelled by Stalin to return to Chervona Volodymyrka and other villages in southern Ukraine.

In the two-and-a-half months since 34 ethnic German men arrived from northern Kazakhstan, a new neighbourhood of blue, red and white caravans, provided by the German government, has sprung up on a hilltop overlooking Chervona Volodymyrka.

Sitting at a kitchen table in one of these spartan but immaculately clean caravans, Mr Alexander Grep, leader of the community, said that as soon as the water and electricity were connected 250 German families now in Kazakhstan would move in.



The resettlement is a vindication for President Leonid Kravchuk. When he enlivened a state visit to Germany last February with the announcement that Ukraine was willing to absorb up to 400,000 of the estimated 1.1m ethnic Germans in central Asia, the proposal seemed to be little more than a way to upstage the offer by President Boris Yeltsin of Russia to create an autonomous republic for ethnic Germans on the Volga river.

But Ukraine has granted citizenship to all residents, regardless of ancestry. He recently said "history has shown that ethnically-based nations are unstable. . . whereas a state in which all citizens are equal is a guarantee that we will avoid the sort of ethnic wars being fought in Yugoslavia.

Thousands of ethnic Germans, worried by mounting antagonism toward Russian-speakers in central Asia, have taken Mr Kravchuk at his word. They are making plans to trek across the former USSR to the fertile steppes of southern Ukraine, where Germans have lived since the 18th century when Catherine the Great recruited them as colonists. A few thousand descendants of the original colonists remain in the area, having Stalin's purges.

The Germans in Chervona Volodymyrka said they left Kazakhstan because of discrimination. Bonn confirmed this when it said this week that religious fanatics and nationalists were causing difficulties for ethnic Germans in former Soviet Central Asia.

But ethnic tension there is clearly a two-way street. "We want to live with whites," explained Mr Edward Ginsfator, a 25-year-old strapping long-haired, blue-eyed settler in Chervona Volodymyrka from Kazakhstan.

His leader, Mr Grep, visited the Volga region of Russia before choosing Ukraine. "The Volga republic is no homeland for me," he said. "It is a place where a man tells you to leave if he discovers you are German. I don't want to fight them."

By contrast, Ukrainian regions are competing for the privilege of providing a new home for ethnic Germans. Initially targeted at the three southern administrative regions where Germans have the deepest historical roots, Mr Kravchuk was forced to expand the programme to include three other regions after local government officials protested that they, too, had the right to play host to the Germans.

Villagers in impoverished Chervona Volodymyrka, where horses are more common than cars, seemed remarkably willing to accommodate the Germans. Mr Grep described the local collective farm chairman as "a golden man" who has provided the settlers with everything from sheep and blankets to three hot meals a day.

Conflicts could develop when the time comes to allot the Germans the lands they have been promised, but for now the local farmers do not seem to resent the work they are doing to help the Germans move in. One man, seconded by the collective farm to help connect the water lines to the German caravans, says that his sympathy had a personal thought: he is a refugee himself, forced to flee the war-torn Trans Dnestr region and return to his native village.

Mr Volodymyr Becker, deputy head of the collective farm and coincidentally an ethnic German, is frank about another motivation of this hospitality. "We are planning to move into food processing," said Mr Becker. "We hope that now the German government will come and invest in our village."

That could be the rub. Mr Ivan Hoffman, head of the German-Ukrainian Foundation, which is co-ordinating the resettlement of cramped quarters in a Kiev hotel, would like Germany to lend the foundation DM2bn-DM3bn to supplement the Rbs500m already contributed by the Ukrainian government.

Although Mr Hoffman's price is a bargain compared with the cost of absorbing new immigrants in Germany, Bonn has set aside only DM20m for the project in 1993.

Strike halts rail and air transport

By Chrystia Freeland

AN INDEFINITE general strike yesterday paralysed Ukrainian airports and railway stations, just as the country prepared to join the International Monetary Fund.

The timing provides a vivid illustration of the contradictory pressures on the government, which is torn between workers' demands for more industrial subsidies and IMF insistence that Ukraine slash its bloated deficit.

Most Ukrainian air traffic controllers, many rail workers and some of the powerful coalminers' organisations heeded a call by the Association of Independent Trade Unions and took to the picket lines in an effort to force the government to grant the unions official status.

Most of Ukraine's airports were closed, and trains were halted outside many cities. Coalminers, potentially the biggest political threat to the government, participated less enthusiastically, however, with only 30-40 per cent stopping work.

Ukrainian officials said that in Washington today Mr Hryhori Piatachenko, finance minister, was due to sign the documents which will formally admit the country to the IMF.

A Fund delegation yesterday concluded a visit to Kiev for negotiations on a stabilisation programme.

Speaking on television, President Leonid Kravchuk sounded a defiant note about the IMF. "We shall act as an independent country and not just agree to any conditions put to us," he said.

Last month, in a letter leaked by Mr Vadim Hetman, reformist chairman of the Ukrainian national bank, the IMF warned that unless Ukraine began to implement reforms it should not count on an aid package.

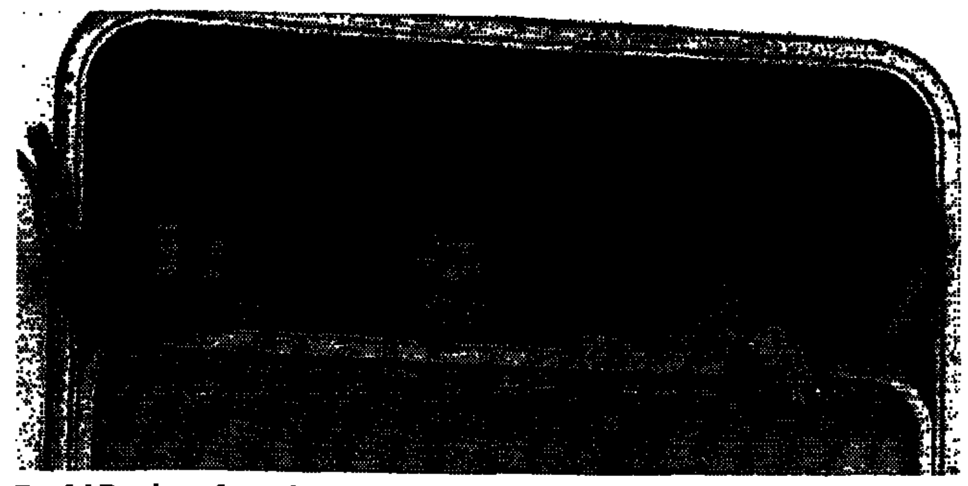
A Fund official said yesterday that there was still disagreement between the national bank, which advocates belt-tightening measures, and the prime minister and president who are more inclined to yield to populist pressures for continued subsidies.

Ukraine's government has dragged its feet on fundamental economic reforms while racking up a huge budget deficit which has driven down the value of its pseudo-currency, the coupon. It is hoping for an IMF stabilisation fund of $1.5bn-$2bn to shelter its long awaited new currency, the hryvnia, from the coupon's sorry fate.

Approach of winter gives added urgency to need for humanitarian aid operation in Bosnia

Timing critical as Yugoslav peace talks resume

By Judy Dempsey, East Europe Correspondent



Tearful Bosnian refugees leave Zagreb by train for the Netherlands yesterday

YUGOSLAV peace talks, begun in London last week, reopen today in Geneva amid a growing sense of urgency about the need for a huge humanitarian aid operation before winter engulfs Bosnia and the Balkan peninsula.

If any of the agreements made in London are to stick, the conference, which will be co-chaired by Mr Cyrus Vance, the United Nations special envoy to the former Yugoslavia, and Lord Owen, the European Community's mediator, will have to implement a timetable quickly.

Mr Ron Redmond, a senior official of the UN High Commissioner for Refugees, said yesterday that "several million dollars" was needed to provide shelter for the 2m refugees both inside and outside Bosnia.

"Roads and bridges have to be rebuilt in order for aid convoys to reach the towns and cities in Bosnia. Tons of plastic sheets are needed to provide shelter in many of the homes which were bombed," he said.

The aid programme, which will be discussed in Geneva, will not envisage setting up safe havens, let alone sending the refugees back to villages from which they were forcibly deported by Bosnia's Serb forces.

"To be realistic, many people will be unable to return. They have no homes. They are afraid. The territory is controlled by Serb forces. The ethnic hatred is now too deep. Healing these wounds will be impossible," said Mr Redmond.

Western diplomats said yesterday that Bosnia-Hercegovina had been de facto divided between Croatia and Serbia, despite a commitment from the London conference that its borders would be respected.

The humanitarian aid effort faces another problem. Even if many more aid convoys, backed by armed troops under the auspices of the UN, were sent into Bosnia, a western military expert said, Bosnia's Serbs were likely to disrupt distribution.

"If intervention is limited to the delivery of humanitarian aid, the Serbs will see little reason to modify their current methods for seizing and cleaning the areas they claim," said Mr Charles Dick from the Royal Military Academy at Sandhurst.

"They will probably let convoys through and flights land, contenting themselves with making sure that the operation does not run smoothly."

The danger to the UN forces is evident. Indeed, after Bosnian government forces regained control of the eastern city of Gorazde earlier this week, Serb forces accused the UN aid convoy which reached the city last month of supplying weapons to the city's defenders.

As for the dispatch of international monitors to Bosnia's borders with Serbia, Croatia, and Montenegro, western military experts said this would not have the slightest effect on the fighting.

Given these obstacles, there is every likelihood that the refugee problem will increase, particularly if the war spreads to the Serb controlled province of Kosovo, or to Macedonia.

"Sending monitors to these two regions does not address the problem," said a western military attaché. "How do we know that Serbia will not send the remnants of the Yugoslav army to Kosovo, while leaving [Radovan] Karadzic and the Serb irregulars to complete their land grab in Bosnia?

"The point is that the London conference agreements are not backed up by force. Any force would have entailed a massive military intervention, backed by air and ground troops. And no western government is ready to go that far."

● Nato allies yesterday offered troops and other support to the UN for protecting aid deliveries to Bosnia and agreed that a light force of around 6,000 troops under UN command would be best for the job, Reuter reports from Brussels.

Serbia's ruling Socialists yesterday abandoned their campaign to oust Mr Milan Panic, Yugoslavia's prime minister, after they failed to win the backing of President Dobrica Cosic, writes Laura Silber in Belgrade.

The failure to oust the Belgrade-born US businessman was a defeat for Serbia's President Slobodan Milosevic and raises the stakes in the bitter power struggle between Mr Milosevic, on one side, and Mr Panic and Mr Cosic on the other.

The Socialists said their turnaround was conditional on the federal government and the prime minister accepting their "well-intentioned criticism" as a political warning.

Key Serb politicians yesterday tried to distance themselves from the no-confidence motion proposed on Monday by the 68 deputies from the Socialist party and its satellite, the ultranationalist Serbian Radical party.

After three days of manoeuvrings, President Cosic, a well-known writer also seen as the embodiment of Serb unity, yesterday publicly lashed out at the no-confidence motion as a "half-baked and irresponsible move".

Comit index at lowest since September 1985

Budget fears drive Italian shares down

By Robert Graham in Rome

THE Italian stock market fell 3.5 per cent yesterday, partly owing to fears of an even tougher budget for 1993. The Comit index fell 9.65 to 375.34, its lowest level since September 1985.

The government said in July that L83,000bn (£38.9bn) would have to be found in increased revenues and spending cuts to hold the public sector deficit to L148,000bn next year. However, it emerged this week that at least a L10,000bn extra would have to be found to cover the increased cost of higher interest rates which are in force to protect the lira.

As the government of Mr Giuliano Amato begins work on the 1993 budget, which must be presented to parliament by the end of the month, the senate has resumed its study of the four main structural reforms – in pensions, public health, regional administration and the civil service – proposed by the government in July.

It is planned to raise some L32,000bn next year through streamlining the civil service, delegating the first real powers to regional administrations to raise taxes, shaking up the inefficient health service and curbing Italy's exceptionally generous pensions system. Parliament is being asked to approve the broad principles of the reform and, by the mechanism of special delegated authority, permit the government to work out details.

Already, some 800 amendments have been tabled, 500 by the breakway communist grouping, Reconstituted Communism. Thus, if the end of the month deadline is not met or parliament fails to endorse the reforms, the 1993 budget risks being undermined.

This possibility unnerved the stock market as did fears about the effect of austerity measures on an already stagnant economy, combined with the lira's continued weakness. Fiat shares, also reflecting the drop in European car sales, fell 3.6 per cent to below L4,000 per share for the first time since 1985.

The stock market appeared to pay little regard to the one piece of positive news: preliminary inflation figures for August showing consumer prices up only 0.1 per cent. Inflation is now running at 5.3 per cent on annualised basis, and if the rate continues its steady fall since May, it could be below 5 per cent by the end of the year.

See World stock markets

Refugee record in Germany

By Leslie Colitt in Berlin

A RECORD 274,000 people have sought asylum in Germany so far this year, the Bonn government announced yesterday. This is 94 per cent higher than the figure for the same period last year.

The announcement coincided with attacks by right-wing extremists on refugee hostels in several east German towns, including Markersdorf, Thuringia, and Spremberg in Brandenburg. Several people were arrested, but no one was injured in the incidents.

However, a Pole was hurt when stones were thrown at his car and that of two others Poles while they drove through the border city of Frankfurt on the Oder.

Mr Rudolf Scharping, Social Democrat premier of the Rhineland Palatinate state, called for the dismissal of Mr Rudolf Seiters, federal interior minister. He said he must bear responsibility for the backlog of 400,000 asylum applications.

G7 silent on Russian rescheduling

By Leyla Boulton in Moscow

DEPUTY finance ministers of the Group of Seven industrial nations last week took no decision on Russia's request for a speedy rescheduling of the former Soviet Union's foreign debt of $70bn (£35.1bn), postponing the issue to a Paris Club meeting which may be held within a few weeks.

In the latest Russian cry of anguish over difficulties in meeting debt payments, Mr Andrei Nechayev, the economics minister, said Russia would find it difficult to clean up arrears and return joint venture funds "frozen" in Vneshekonombank, which handles most foreign exchange business.

"These funds were not frozen, they were spent a long time before by this government came to power," he explained. He promised however that the government wanted to issue five-year hard currency bonds for the holders of such funds. It was also serious about turning some debt obligations into property; the proposition was tested yesterday by Philip Morris, the US tobacco-based conglomerate, which asked to be given office space in part repayment of outstanding debts owed to it by Russia.

Meanwhile, Mr Viktor Gerashchenko, the acting central bank chairman, said yesterday that Russia had just $100m to spare for intervening to defend the ever weakening rouble. He also called for enterprises to be forced to sell all their hard currency earnings to the state, instead of just 50 per cent at present. Compulsory sales of all hard currency revenues are a normal part of internal convertibility schemes used in other countries but have so far not been introduced in Russia.

Although Russia's export revenues amounted to $2bn a month, Mr Gerashchenko said an average of only $25m is sold every month on Moscow's fledgling official foreign exchange market.

Slovaks fear a costly divorce

Anthony Robinson and Ariane Genillard on break-up with the Czechs

THE "civilised divorce" agreed between Czech and Slovak leaders last week includes a currency union, tariff-free movement of goods and visa-free movement of people. But it has not yet tackled other contentious issues such as the co-ordination of foreign and security policies.

A leaked "working text" of a draft treaty between the two republics drawn up by Mr Vladimir Meciar's party, the Movement for a Democratic Slovakia, before last week's meeting revealed that the Slovaks, who campaigned on a separatist platform at last June's elections, in reality still hanker after a broader, confederal "union" with the Czech lands.

Mr Vaclav Klaus, the Czech leader, has made clear he favours a clean political break but puts priority on preserving an economic relationship which reflects the economic integration of the two states. While rejecting a broader, confederal relationship, the Czechs hope that the mutual interest in close monetary and economic co-operation will ensure that political independence does not translate into indifference or hostility.

The economic and political implications of divorce were underlined during a sobering meeting between Slovak economists and IMF and World Bank officials in Washington last month. They warned that divorce would be costly for Slovakia, where unemployment is nearly 12 per cent. This compares with under 3 per cent in the Czech lands, which have a more diversified economy and have attracted the bulk of foreign investment.

After independence next January 1 Slovakia is expected to lose Czech subsidies of between $300m (£150.7m) and $1bn annually. Divorce will also leave Bratislava responsible for re-shaping an economy dominated by energy-intensive arms and other heavy industries.

Meciar: the Slovaks still hanker after broader union

Klaus: the Czechs favour clean political break

Slovakia also faces two major international problems inherited from the communist past. The first leaves Bratislava, the Slovak capital, to settle a dispute with Hungary over the Danube river hydro-electric complex and the second saddles it with handling Czechoslovakia's share in the Krivoi Rog iron ore enrichment project in the Ukraine.

Prague, which decided to pull out of the Ukrainian deal earlier this year, has been trying unsuccessfully to privatise Czechoslovakia's share in a project, which will eventually produce iron pellets needed by the Slovak steel industry.

Czech negotiators say the prospect of divorce has injected a new realism into Slovak thinking and re-inforced pro-market economists there. Faced with the phasing out of Czech subsidies, for example, the Slovak authorities have shelved plans to build a subway in Bratislava.

Instead they plan to invest in a new link-up with Austrian railways. A rapid rail link via Vienna airport would attract spillover traffic to the under-used Bratislava airport. It would also suit plans to establish tariff free manufacturing zones close to the Austrian border, similar to *maquiladora* plants along the US-Mexican border. Much however depends on Slovakia's ability to attract foreign investors, who were alarmed by the new government's decision to reverse privatisation of the Danubia printing house and take it back under state control.

The prospect of independence has also led to a new look at the Slovak arms industry, hit hard by federal policies to curb exports and the end of the cold war. Mr Julius Toth, the Slovak finance minister, last month announced that, instead of converting military plants to civilian use, Slovakia will step up its search for foreign markets while reducing the industry's capacity by 10-15 per cent annually over the next few years.

For the leaders of both the Czech lands and Slovakia, however, the most important appointment before their divorce is their scheduled meeting with European Community officials on October 5. On the agenda is the future of the EC Association Agreement signed last year with a federal State which is due to disappear on December 31.

The Czech side will be satisfied with essentially unchanged terms. But Slovakia, whose steel exports are particularly vulnerable to anti-dumping measures demanded by EC steelmakers, and is losing its former financial subsidies from Prague, is now in greater need of freer access to EC markets. Bratislava is hoping that Brussels will show, if not sympathy, at least understanding for the historical factors which pushed it to an economically disruptive divorce.

SLOVAKIA has taken one more step towards independence with the adoption by local MPs of a separate constitution for the republic, writes Ariane Genillard. Articles on creating a Slovak central bank and on the border with the Czech republic will be frozen until next January 1, thus avoiding any violation of the current federal constitution.

Czech and Slovak leaders recently agreed on constitutional steps to establish two independent states by the start of next year.

The new Slovak constitution caused considerable controversy in Bratislava, the capital, and Slovak Hungarian parties walked out of the local parliament. Leaders of the ethnic Hungarian minority in the republic – 12 per cent of the population – have warned about the discriminatory nature of Slovakia's new nationalist government.

Former Polish PM found murdered

FORMER Polish Communist Prime Minister Piotr Jaroszewicz was found tortured and hanged beside his wife's dead body in their Warsaw home yesterday in a macabre double murder, Reuter reports from Warsaw.

An Interior Ministry spokesman told local radio that Mr Jaroszewicz, 82, was tortured and hanged, and his wife Alicja Solska shot dead with a hunting rifle in their isolated villa in the wealthy suburb of Anin. No motive was known.

Mr Jaroszewicz, a deeply unpopular prime minister who was ousted in 1980 after 10 years in office, led a solitary life and refused the offer of a bodyguard.

"It was quite macabre. The perpetrator acted with premeditation – meaning he wanted to kill them," said a police spokesman.

The couple's concrete-clad two-storey villa, in woods on the edge of Warsaw, was sealed off by police and a special commission had begun an investigation.

The police were seen using a stretcher to carry away at least one corpse in a black plastic bag. A large rifle was also brought out, wrapped in a white sheet.

Neighbours said Mr Jaroszewicz and his wife, a former journalist for the Communist party mouthpiece Trybuna Ludu, rarely received visitors and were wary of strangers.

Mr Jaroszewicz was last seen walking their dog on Monday.

Mr Jaroszewicz, a former army general and deputy prime minister from 1952 to 1970, was deeply disliked by the public as Poland fell deep into economic decline under Communist leader Edward Gierek in the 1970s.

He was made a scapegoat for the government's economic failures – the main cause of Poland's present-day foreign debt problems – and forced to resign in February 1980.

He was expelled from the Communist party in 1981 and interned along with several dozen former Communist officials, when Prime Minister Wojciech Jaruzelski imposed martial law to crush the opposition Solidarity trade union led by Mr Lech Walesa.

When Solidarity ousted the Communists in 1989, there were no reprisals. Most of the old leaders retired quietly from public life and none has been brought to trial.

"I know richer people around here, with better houses, so I don't think it could have been a robbery," said a neighbour.

Strike brings power blackouts to Athens

GREECE is being hit by daily nationwide electricity cuts for up to eight hours due to the week-long strike by power workers, writes Kerin Hope in Athens. The capital's electricity supply has been cut by 40 per cent with nightly blackouts in residential districts, industrial production is being seriously disrupted, and the Public Power Corporation warns that blackouts will become longer as more power stations shut down for lack of maintenance.

Genop, the power workers' union, is one of several public-sector unions protesting against a government plan to overhaul the state pension system and is threatening to continue its strike until the government modifies the proposed pensions law. The legislation calls calls for raising the pensionable age, increasing contributions and reducing special allowances

Refinery inquiry urged

Pressure mounted yesterday for an inquiry into safety standards at Greek refineries following Monday's fire at the Petrola oil refinery near Athens, Kerin Hope reports. Three workers died after an explosion in a cracking unit at the Petrolat refinery, near Eleusis, and another 11 were left in critical condition. The refinery, which produces naphtha and jet fuel, belongs to Mr John Latsis, a London-based Greek shipowner.

Call for Georgian peace-keepers

Russia has suggested deploying a peace-keeping force to end a separatist rebellion in Georgia as the two former Soviet republics tried to put together a peace deal yesterday, reports Reuter in Moscow. The Itar-Tass news agency quoted Russian Deputy Prime Minister Georgy Khizha as saying the question would be discussed at a meeting scheduled for today between President Boris Yeltsin and Georgian leader Eduard Shevardnadze. "The matter will be settled on September 3."

Future 'lies with gas'

Russia's nuclear power plants could be closed down within seven years and replaced by turbines using natural gas, an adviser to the Moscow government said yesterday, Reuter reports from Helsinki. Mr Alexei Yablokov, ecology adviser to Russian President Boris Yeltsin, told a Finnish parliamentary hearing that he believed gas turbines could take over from nuclear power plants.

Negotiators may be softening their stand on farm subsidies

EC and US push for Gatt breakthrough

By David Gardner in Brussels

EC and US trade negotiators are engaged in a "final push" to achieve a breakthrough by mid-October in the Uruguay Round world trade liberalisation talks, according to a senior European Commission official.

He said "the political will is now there" on both sides to chart a way through the farm subsidies maze, which has held up conclusion of the Round since the collapse of the Brussels summit under the General Agreement on Tariffs and Trade in December 1990.

Both sides appear to be softening their position on farm subsidies, in the interest of getting the leading industrial economies moving again.

Although the new negotiations are being conducted in secret – it is not even clear where they are taking place – the official said agriculture and trade officials from Washington and Brussels began work yesterday on detailed formulae to resolve the two biggest differences. These are:

- The extent to which payments to EC farmers in compensation for the big price cuts agreed in May's reform of the Common Agricultural Policy will be exempt from the subsidy reduction called for in the Uruguay Round "final act";
- The extent to which the EC must cut the volume of its subsidised exports, as well as the amount of subsidy.

Negotiations are in a higher than expected gear following talks on Monday and Tuesday in Brussels between Mrs Carla Hills, US trade representative, Mr Frans Andriessen, EC external affairs commissioner, and Mr Ray MacSharry, EC agriculture commissioner.

The main public outcome of those talks was to put on ice until the end of this month a separate bilateral dispute over oilseeds subsidies. The US has held off from slapping punitive tariffs on $1bn (£502m) worth of EC food exports in the knowledge that, as the Brussels official confirmed yesterday, "we would have to consider retaliation".

If this happened it would put paid to hopes of a Uruguay Round conclusion.

The official said a "headline agreement" on the Round had to be reached by about the middle of next month, both to incorporate an agreement on oilseeds and to have any hope of meeting the March 1993 deadline for expiry of the US administration's "fast-track" trade negotiating authority.

On the EC's compensation payments, Mr MacSharry had insisted that since they are linked to output restraint – farmers must take land out of production ("set-aside") to get them – they should be indefinitely exempt from the Gatt's prescribed subsidy cut of 20 per cent over six years. The US was only prepared to grant an exemption for six years if the target of 15 per cent "set-aside" was fixed in concrete, and if compensation was cut back thereafter.

But Mr MacSharry is now understood to be willing to settle for a form of words which ensures that the "philosophy" that payments linked to production restraint should be exempt "is carried through into the next round" of subsidy negotiations six years hence. "We want recognition of their contribution to international trade peace," the official said, "just as there is recognition for subsidy payments for environmental reasons."

On export volume, where Gatt requires a 24 per cent cut in addition to a 36 per cent reduction in export subsidies, the EC still insists on flexibility within sectors. Under this formula the EC could export more wheat if it exported less barley, for example, provided overall cuts in grain sales reached the target.

The US wants pro-rata reductions, especially since, under the EC's new farm regime, European wheat will become more competitive.

The official said, however, that this flexibility could be limited and detailed, and pointed out the EC would still be cutting output. "It is not beyond the bounds of possibility that we can get agreement on these lines," he concluded, "but this has to be the final push."

Washington cool on oilseeds 'progress'

By George Graham in Washington

US officials yesterday played down talk of progress towards a resolution of their oilseeds dispute with the European Community.

The two sides appear to have drawn different conclusions on the outcome of talks between Mrs Carla Hills, US trade representative, and Mr Frans Andriessen, EC external affairs commissioner, in Brussels on Tuesday.

Mrs Hills said after the meeting she had not agreed to any new deadline for resolving the argument. "I didn't agree to extend anything. We just said our patience had run its course," she told the Journal of Commerce.

But officials said the oilseeds issue was only a minor point in Mrs Hills' meeting with Mr Andriessen, which was largely devoted to the broader aim of concluding the Uruguay Round of talks to revise the General Agreement on Tariffs and Trade (Gatt).

US officials said they wanted to assure the EC that the US presidential election in November should have no bearing on the Gatt talks.

The US and EC appear still to be far apart on the oilseeds question. Although Brussels is willing to discuss compensation to US farmers for the sales of oilseeds they say they have lost, they have refused to consider dismantling their oilseeds programme, which Washington sees as vital to any settlement.

Although some observers believe the US would be reluctant to impose the punitive tariffs it has threatened on $1bn (£502m) of food and drink imports from the EC without the approval of a full Gatt meeting scheduled for September 29, US officials maintain they already have the right to impose these sanctions.

Japan likely to meet car parts pledge

JAPANESE carmakers are likely to fulfil their promise to buy US parts because of the North America free trade agreement (Nafta) between the US, Mexico and Canada and higher than expected demand at home and abroad, Reuter reports from Tokyo.

In January the carmakers proposed buying $19bn (£9.5bn) in US parts in the fiscal year starting April 1994.

"Out of the proposed target of $19bn, purchase for use at their US units will account for the greater part," said Shinji Moriyuki, of the Daiwa Institute of Research.

For cars to qualify for tariff-free trade within Nafta, they will have to contain at least 62.5 per cent of parts procured from within the region. But out of the $19bn target, only $4bn will be for US parts imported into Japan.

Brussels ends rod dumping investigation

THE European Commission said yesterday it had ended an anti-dumping investigation regarding wire rods sold in the EC and made in Argentina, Egypt, Turkey, Trinidad and Tobago and the Yugoslav republics, AP reports from Brussels.

The Commission said in a statement that it has closed the inquiry following a decision by the European Confederation of Iron and Steel Industries (Eurofer) to withdraw its complaint against the countries.

Eurofer made the dumping charge on behalf of about 75 per cent of European Community wire producers.

Eurofer withdrew the complaint in August after imports of wire rod from the countries fell significantly. The product is used mainly in the construction industry.

Sir Colin Marshall: deal is a good one

Giovanni Bisignani: still disparities

BA-USAir deal 'could trigger change'

By Paul Betts, Aerospace Correspondent

BRITISH Airways' plan to invest $750m (£376.8m) in a 44 per cent stake in USAir, the sixth largest US carrier, was described yesterday as "one of the rare defining moments" in aviation history.

The move, if approved by the US government, is expected to accelerate the trend towards globalisation in the airline industry by intensifying cross-border mergers and acquisitions between international carriers.

But it has also unleashed a new transatlantic trade controversy which risks adding civil aviation to the already long catalogue of trade disputes between the US and Europe – ranging from agricultural subsidies to government aid for the European Airbus programme.

The growing trade frictions between the US and Europe over civil aviation featured prominently at a Financial Times conference in London on world aerospace and air transport.

Frictions have been heightened by the current financial difficulties facing the airline industry, which is struggling to recover from its worst recession in 40 years and striving to adapt to an increasingly deregulated international aviation environment.

At the same time deregulation has made the system of bilateral aviation agreements between countries, which has governed the industry since 1946, look increasingly obsolete. There is growing pressure to replace it with a multilateral system between large trading blocks to promote open skies.

Mr Lawrence Nagin, executive vice-president of United Airlines, said the BA-USAir deal could be a trigger for change. "The transaction holds the prospect of making enormous inroads in the protectionist thinking that still pervades much of the international aviation regime. Indeed, it could well be the lever with which to open Europe and the US to a free competitive environment", he said.

But he warned it could reinforce old trade barriers and trigger new ones as parties sought to preserve a competitive advantage for flag carriers through government regulations.

United, along with American Airlines and Delta Air Lines, the three largest US carriers, have pressed their government to block the BA-USAir deal unless they can secure greater access to the UK and European markets by negotiating a new bilateral aviation agreement with the UK.

Both Mr Jeffrey Shane, assistant secretary at the US Department of Transportation, and the Earl of Caithness, the UK aviation minister, declined to discuss the current state of negotiations between the two countries on the BA-USAir deal.

Mr Shane said the US was promoting an open skies policy and wanted to negotiate new liberal bilateral agreements with European countries. But he noted some European governments, including France and Germany, were moving in the opposite direction and warned the US would consider retaliating against countries erecting barriers for US carriers.

This could include constraints on traffic to the US moved by foreign carriers from destinations outside their home countries and a tougher stance on future tariff co-ordination. "Those who insist on using their sovereignty to constrain market growth artificially may find they have placed their carriers at a serious, possibly irreversible, disadvantage in the long run," Mr Shane warned.

FT WORLD AEROSPACE AND AIR TRANSPORT CONFERENCE

But European speakers rejected the US position. Lord Caithness said US airlines continued to dominate their domestic market with large hub and spoke networks and enjoyed advantages denied to foreign competitors.

Sir Colin Marshall, BA's deputy chairman and chief executive, said his airline's deal with USAir complied with existing US foreign ownership requirements and aviation policies. The reaction of the big US carriers "only served to reassure us that the agreement we have negotiated is a good one," he added.

If US carriers wanted to table new demands from the UK, they should be ready to provide commensurate concessions for UK airlines, including the relaxation of ownership rules.

Sir Colin said two significant obstacles continued to undermine efforts to create a more liberal and open skies environment. These were continuing state support enjoyed by government-controlled carriers and the US Chapter 11 rule whereby bankrupt airlines were protected from creditors and thus able to continue operating.

Mr Frederik Sorensen, head of the EC's air transport policy division, said that, with the advent of a single European aviation market next year, it was necessary to formulate a European external aviation policy, including new external competition rules.

Such a policy should also take into account the potential conflict between the broad interests of the Community as a whole and the specific national interests of member states. The competitive position of European carriers would be enhanced if the Community could speak with one voice instead of being divided on external aviation policy, he argued.

But Mr Giovanni Bisignani, chief executive of Alitalia and chairman of the Association of European Airlines (AEA), said a common EC approach could only work if all EC countries were subjected to the same rules, including a similar fiscal regime.

"National legislation still shows a high degree of disparity, and market differences are evident in financial, fiscal, social and labour regulations," he said. The harmonisation of national legislation was thus of fundamental importance for implementation of a single market, as fiscal differences could create just as large distortions as state aid to airlines.

Collor loses support of vital party

By Christina Lamb in Brasilia

THE last pillar of support for Brazilian President Fernando Collor collapsed yesterday with the decision by the main pro-government party to free their congressmen to vote in favour of Mr Collor's impeachment.

The announcement by the Liberal Front (PFL) yesterday coincided with the publication of a poll showing that more than half the population thinks Mr Collor should quit over corruption charges. The poll, by Ibope, the official government polling agency, found that 69 per cent of respondents no longer trust Mr Collor and 59 per cent think that he should resign.

The PFL decision was taken early yesterday after a meeting attended by four government ministers. Only one minister spoke in Mr Collor's favour and Mr Marco Maciel, leader of the government in the Senate, *announced that he was quitting*, compounding the president's isolation.

Mr Collor now seems unlikely to withstand the impeachment process set in motion on Tuesday. To survive he will need the support of one-third of Congress, or 168 deputies, in a vote expected later this month.

He has been counting on the 120 votes of the PFL, since his own party has only 23 members.

The PFL leadership has been under increasing pressure from members to drop its pro-Collor stance because of fears that its candidates will suffer in October's municipal elections. However, the party is a fierce opponent of Mr Itamar Franco, the vice-president, who would take office in the event of Mr Collor's ousting.

Mr Hugo Napoleao, president of the PFL, said yesterday: "In the end we decided we had to allow people to vote according to their conscience."

Mr Ibsen Pinheiro, the president of Congress, met political leaders yesterday to create a 30- to 40-member commission which will *sit for* 10 days *to* discuss whether to approve the impeachment request.

If it does, Mr Collor will then have 20 days to defend himself before a congressional vote.

Same-sex partners to get equal benefits

By Bernard Simon in Toronto

ONTARIO'S Human Rights Commission has ruled that homosexuals are entitled to their live-in partners' pension and insurance benefits in the same way as spouses in a heterosexual marriage.

The landmark ruling is expected to increase pressure on employers throughout Canada to give equal treatment to homosexuals for the full range of spousal benefits.

A Canadian public-sector trade union has launched a complaint against the federal Income Tax Act which allegedly discriminate against same-sex partners in the application of tax allowances.

Some experts predict that the extension *of employee ben*efits to homosexual partners could increase the cost of company-financed pension, insurance and health plans. The decision stems from a complaint by a Toronto man employed by the Ontario provincial government. He objected to the government's refusal in 1988 to include his homosexual partner in its medical insurance coverage.

Justice department may drop BCCI case

By Alan Friedman in New York

THE BUSH Administration may decide on health grounds not to go ahead with the prosecution of Mr Clark Clifford, the 85-year-old former defence secretary who was indicted in July on criminal charges related to the collapsed Bank of Credit and Commerce International (BCCI).

Mr Clifford and Mr Robert Altman, his law partner and protege, were indicted in New York on charges of accepting bribes, conspiracy to commit fraud and misleading federal bank regulators.

The Justice Department in Washington brought lesser charges of misleading regulators about the secret ownership by BCCI of First American Bankshares, the Washington bank.

Although federal and state prosecutors have agreed that the New York trial should be held before Washington moves, a heart specialist has *said* Mr Clifford might suffer a fatal heart attack were he to stand trial. The Justice Department has said it might decide not to prosecute Mr Clifford for this reason.

A senior US investigator noted, however, that the Jus*tice Department's* medical consultant had reviewed Mr Clifford's past medical records rather than Mr Clifford himself.

Church files suit against FDA

The Church of Scientology yesterday filed a lawsuit against the Food and Drug Administration (FDA) *claiming the gov*ernment agency ignored proper scientific procedures in approving Prozac, Eli Lilley's anti-depressant drug, writes Patrick Harverson from New York.

The suit has been filed by the Citizens Commission on Human Rights, a group controlled by the Scientologists, who claim the best-selling drug makes people suicidal.

Photocall: George Bush prays "for the people of Florida and Louisiana", according to a White House official news release

Bush calls on power to dispense largesse

The incumbent president may benefit from Hurricane Andrew, writes Jurek Martin

THERE are growing signs that Hurricane Andrew, unwelcome as it was for the devastated inhabitants of Florida and Louisiana, may in the end do no harm to the re-election campaign of President George Bush.

After a faltering and heavily criticised initial response to the disaster, both the president and his administration seem finally to be getting assistance to those rendered homeless and to businesses and farms that have been destroyed.

In the process, Mr Bush has been able to call on the power of incumbency, the one asset denied his presidential rival, Mr Bill Clinton, who is to visit Florida today. This was brought home graphically by the president's announcement that Homestead Air Force base in Florida – a major local employer virtually destroyed by Andrew – would be rebuilt.

His poignant and brief address to the nation on Tuesday night, committing the government to pay all the costs of emergency disaster relief and calling on all Americans to contribute to the American Red Cross, *also struck the* right sort of note. It was only his tenth such televised speech from the Oval Office, itself a testimony to the gravity of the situation.

Any political benefit to the president may yet be ephemeral and only a temporary distraction from an electorate more concerned about the state of the national economy. Much as the civil unrest in Los Angeles in April now seems a distant memory, so Andrew may fade in the public consciousness by November.

But, with Mr Bush constantly in the headlines – with two trips south inside a week – Mr Clinton has been left on the sidelines, able to do little more than offer sympathy and *sotto voce* criticism that the president's initial stumbling proved he cared more about Iraq than about his own country.

First responses were certainly found wanting, specifically in the performance of the Federal Emergency Management Agency (FEMA) set up by President Carter in 1979 to handle disasters such as Andrew. FEMA has, under the Republicans, become the ultimate patronage backwater, with, *according to one congressional* study, ten times as many political appointees as the typical arm of government.

Its current head, Mr Wallace Stickney, is a New Hampshire political associate of Mr John Sununu, the former state governor and White House chief of staff. Contrary to its brief, but confirming a prescient recent report by a House committee that Mr Stickney was "uninterested in substantive programmes", FEMA was caught completely unprepared by Andrew, resulting in unseemly disputes between state and federal authorities over who did what in bringing relief.

However, the arrival in Florida of the military and the assignment of special responsibilities to Mr Andrew Card, the young and telegenic transportation secretary, is making a difference. Also increasingly evident is the hand of Mr James Baker, now ensconced at the White House.

It was Mr Baker who reshuffled the president's campaign schedule to make room for visits to the devastated areas and who pushed for a bigger role for the previously obscure Mr Card. It is also Mr Baker who is making the most of presidential powers to dispense largesse.

Yesterday, *for example*, Mr Bush flew to South Dakota to tell farmers of an expansion of the subsidised grains exports programme and then to the General Dynamics factory in Texas to announce the big new *F-16 fighter sale to Taiwan*.

Both are, of course, intensely political actions. Both involve federal subsidies, as does relief for Andrew, that run counter to Mr Bush's commitment to reduce the budget deficit. But both may be presented by a president as being in the national interest because they guarantee employment, which is what the election is in good measure all about.

California resolves two-month budget crisis

By Jurek Martin in Washington

CALIFORNIA'S two-month-long fiscal crisis finally came to an end early yesterday morning when Mr Pete Wilson, the Republican governor, signed a $57bn (£28.6bn) budget approved by the lower house of the state assembly.

The last and necessary capitulation by the Democratic-controlled legislature was its acceptance of an education bill which allows the state's constitutional obligation to school funding to be suspended if, as may happen, the courts find illegal a loan for current expendi*ture from future allocations*.

Mr Wilson claimed victory for his long fight to produce a new balanced budget without recourse to tax increases in the face of a prolonged and deep recession. It was achieved by substantial cuts in state grants to health, education and welfare.

Mr Willie Brown, the veteran speaker of the assembly, described the budget agreement as "a compromise, the best decision we can make tonight". He conceded that state-wide discontent with the political process might mean that *many legislators, already faced with* new limitations on the number of terms they may serve, would be voted out of office in November.

The most visible consequence of the long stalemate was that the state found it necessary to issue $3.2bn in IOUs to meet its payroll and other contractual obligations, the first time it has had to issue its own scrip since the depression of the 1930s. In recent days financial institutions had begun to refuse to honour these IOUs and a major closedown of state *offices* was being threatened.

The California battle has been the most dramatic and painful of countless others fought across the country. They are seen as harbingers of wars to come at the federal level, regardless of who is the next president.

Mr Wilson may not necessarily be the political beneficiary of the budget agreement. Mr Mervin Field, the veteran California pollster, reports that voters blame him and the legislature alike and may vent their anger at his office as the budget cuts are felt.

Court ruling puts Bofors case in doubt

By Shiraz Sidhva in New Delhi

AN INDIAN court ruling yesterday virtually quashed the investigation into the Rs14.5bn (£256m) Bofors scandal after government agencies failed to establish that the Swedish arms company had bribed the Indian government to secure a big order in 1987.

The Delhi high court, in a 115-page judgment, quashed the complaint filed against Mr Win Chadha, then Bofors Indian agent, and granted reprieves to 13 others, including Mr Martin Ardbo, former president of Bofors, and Mr G P Hinduja, a British businessman of Indian origin.

The ruling also quashes requests by a special judge in 1990 to Switzerland and Sweden seeking co-operation in the investigation.

The judgment noted that the Central Bureau of Investigation had failed to name a single bureaucrat or politician as an accused in the case, 31 months into the inquiry.

Allowing a petition filed by Mr Chadha, the court held the investigation could "not be allowed to continue" against Mr Chadha "on the besis of surmises and conjectures".

The high court judgment comes at a time when the Geneva cantonal court was to pronounce its crucial verdict on the Indian government's request for access to information on Swiss bank accounts, which would reveal the names of the beneficiaries, if any, of the alleged bribes.

Authorised signatories of the six frozen Swiss accounts have strongly opposed the Indian government's plea, citing Swiss secrecy laws. The Geneva court, which was to pronounce its judgment "any day now" would probably withhold it, according to the bureau.

The high court's judgment will damage the investigations abroad, bureau officials feared, but they say they will continue. The bureau will appeal to the Indian Supreme Court against the lower court's judgment "as early as possible".

The Supreme Court is now legally bound to give the Dubai-based Mr Chadha a hearing before disposing of the bureau's petition.

Opposition leaders expressed scepticism that the Bofors inquiry would ever be fruitfully concluded with a Congress government in power. Mr George Fernandes, former cabinet minister and leader of the Janata Dal, whose party had promised to punish those involved in the Bofors scandal, said the judgment was "a direct challenge to the Supreme Court".

Bush risks China's wrath with Taiwan jet sale

By George Graham in Washington and Luisetta Mudie in Taipei

US PRESIDENT George Bush yesterday wooed voters in Texas by announcing his decision to back the sale of up to 150 F-16 fighters to Taiwan.

But although the announcement provides a welcome boost to General Dynamics, whose Fort Worth plant manufactures the F-16 aircraft, it offers a perplexing reversal to some key elements in the Bush administration's established foreign policy.

Since a 1982 agreement negotiated in part by then Vice-President Bush, the US has scaled down its arms sales to Taiwan. With Mr Bush in the White House, the administration has followed a policy that favoured closer ties to mainland China, in defiance of congressional pressure for tougher economic sanctions in response to repression of political dissent.

Administration officials argued yesterday that the sale of F-16s, which will substantially upgrade Taiwan's ageing air force consisting mainly of 30-year-old F-5Es and 40-year-old F-5 fighters, is justified by the need to maintain a balance of power after Russian sales of advanced Su-27 fighters to mainland China.

"I think this is an area where we have a legitimate interest in assisting Taiwan in terms of dealing with its security concerns," said Mr Dick Cheney, the defence secretary.

Beijing has not renounced the use of force against Taiwan, which has been home to the Kuomintang Nationalists since they lost the civil war for the mainland in 1949.

However, one of the principal arguments advanced by the administration for not breaking with China over its repressive policies is the need to encourage the Beijing government not to sell its own weapons elsewhere in the world.

The real reasons for Mr Bush's reversal appear to lie more in the likelihood that Taiwan, whose plans to develop its own fighter aircraft have made little progress, would buy Mirage 2000-5s built by France's Dassault, and in the resulting loss of jobs in Texas, a state which is regarded as crucial to Mr Bush's chances of re-election.

"Here is George Bush choosing American jobs over his foreign policy instincts. That's a shift," said Dr Natalie Goldring, deputy director of the British American Security Information Council and a specialist in arms sales.

Some US officials are worried that the sale might so irritate the Beijing government as to jeopardise even larger contracts in mainland China won by other US aircraft manufacturers such as Boeing and McDonnell Douglas.

Others argue, however, that China is unlikely to react shortly before Congress's annual vote on the renewal of its most favoured nation trading status, and at a time when the US is threatening a wide range of sanctions in retaliation for perceived trade abuses.

Japan's cabinet power remains in kitchen

Political reputations are built on past favours and can survive bribery scandals, writes **Robert Thomson**

TITLES don't necessarily count for much in Japanese politics. The prime minister may be one of the weaker members of the ruling Liberal Democratic Party, while the most powerful politicians are often content to exercise their influence in the backroom, only occasionally surfacing to take positions of official authority.

As titles are no certain indicator of influence, resignations are no accurate measure of a decline in power. Mr Shin Kanemaru resigned last week as the LDP's vice-chairman, and yet he will remain the "kingmaker" and the "godfather", cultivating younger politicians by furnishing the funds they need for election campaigns.

By title, Mr Kanemaru is the most senior politician to have been implicated in the Tokyo Sagawa Kyubin scandal, a still unfolding saga of massive payments, reckoned to be Y520bn (£2.1bn), to politicians and government officials by ambitious executives at a parcel delivery company.

On Tuesday Mr Kiyoshi Kaneko, the governor of Niigata prefecture north of Tokyo, also resigned, though he too is likely to remain a politician of importance, partly because of his strong local links and his personal friendships with Tokyo's party powerful, including Mr Kanemaru.

The timing of these resignations is convenient for the LDP coming, not surprisingly, after an upper house election in July in which the party was particularly successful. The Tokyo prosecutors pursuing the Sagawa case have a reputation for independence, but they also have a habit of intensifying their investigations in the wake of an election.

Mr Kanemaru admitted that his office had received Y500m from Tokyo Sagawa, though he claimed to have rejected an initial overture from the company and discovered, much to his surprise, that his office workers had accepted the money. And Mr Kaneko denied receiving funds, but was forced to resign after his office workers told prosecutors that they saw at least Y100m in Sagawa donations. Apart from stepping down from the official party post, Mr Kanemaru promised that he would resign as head of the party's largest faction. Having since been told by faction members that this move would "create confusion", Mr Kanemaru, in a characteristically vague and mumbled explanation, insisted that he would resign but said he dislikes "confusion" – meaning that he may remain at the helm.

The departure of the two office-bearers marks either the real beginning or the possible end of the Sagawa scandal. Mr Kanemaru's admission that his office accepted Y500m means a possible breach of the Political Funds Control Law, which limits companies to donations of Y100m to one party or individual in a year.

If prosecutors pursue Mr Kanemaru over this payment and attempt to prove a violation, it will be clear that the Sagawa scandal is far from over. The maximum penalty for a violation of the funds law is a hardly punitive Y200,000, but more significant would be the public humiliation of Mr Kanemaru, and the likelihood that other LDP leaders would be pilloried, delaying their turns at the top of government.

And if the prosecutors are truly enthusiastic in the pursuit of Sagawa funds, they may find embarrassing links between the LDP and gangster groups. Ordinary Japanese take for granted that the party's far right has regularly done business with gangsters, but the illumination of murky links between mainstream LDP leaders and the gangs would stir controversy.

Mr Masaya Ito, a political commentator, said Sagawa offers a good opportunity to expose the gangster links, as employees of the parcel company appear to have acted as an intermediary between a gang boss and a leading LDP member: "This could be the first time we can clearly see this linkage."

A gangster controversy would not necessarily lead to substantial changes in Japanese politics, although a gangster scandal provoked upheaval in the securities industry last year. On becoming prime minister, Mr Kiichi Miyazawa promised that "political reform" would be a priority, but his predecessor, Mr Toshiki Kaifu, was dumped because he showed unexpected reformist zeal and because he forgot that titles do not confer power in the LDP.

Kanemaru: still 'godfather'

The LDP's success at the upper house election means Mr Miyazawa is likely to serve out a two-year term, but the latest revelations have failed to inspire him to renew the call for political reform, which is intended to make politics less expensive and less prone to the Sagawa-style scandals.

Making politics less expensive means undermining the influence of the likes of Mr Kanemaru, whose authority comes from their long-term cultivation of younger, needy politicians.

Unless prosecutors launch a series of high-profile bribery cases, having established that Sagawa money was swapped for legislative favours, the scandal is unlikely to threaten the LDP's hold on power. Conveniently, the leading opposition party, the Social Democratic Party, is also implicated.

Meanwhile, Komeito, the Clean Government Party, has suggested that all corporate donations to politicians be banned, a change that would certainly work to its benefit. The right-leaning Komeito receives funds through Soka Gakkai, a lay Buddhist group whose leader is perceived by his followers to be not only a "godfather", but a god.

De Klerk predicts talks on constitution soon

By Patti Waldmeir in Johannesburg

SOUTH AFRICA'S President F W de Klerk predicted yesterday that stalled multi-party talks on a new constitution would resume shortly, as the troika of EC ministers held their first day of meetings in Johannesburg aimed at breaking the current deadlock.

The team led by Mr Douglas Hurd, Britain's foreign secretary, lunched with Mr de Klerk and later met Mr Nelson Mandela, president of the African National Congress. Meanwhile, the ANC national executive continued to debate the resumption of talks for the third day, in a meeting likely to last until late last night.

It is expected to announce later today whether it will resume full-scale constitutional talks, or continue limited bilateral contacts. These have brought together Mr Cyril Ramaphosa, ANC secretary general, and Mr Roelf Meyer, constitutional development minister, to discuss issues such as release of remaining political prisoners and a general amnesty for apartheid crimes.

Mr Hurd stressed that South Africans would have to resolve the nation's political problems. "It's not for Europeans to come and bang people's heads together in South Africa."

Beijing lifts many price controls

CHINA has taken an important step towards liberalising the economy with the announcement that price controls have been lifted on 593 items and materials, ranging from soda ash to electrical machinery, agencies report from Beijing.

The move will allow producers, most of which are state-owned, to determine their own prices according to market conditions. It reduces the number of commodities directly priced by bureaucrats in Beijing to 89 from the 737 at the end of 1991.

While the reform falls short of establishing a fully free market, it reflects how swiftly China has embraced a call in January by Deng Xiaoping, the paramount leader, for economic reform and faster growth.

China yesterday raised its estimate for economic growth during the first half of 1992 to a 12 per cent annual rate. Zou Jiahua, vice premier and head of the State Planning Commission, said the growth rate, up from an earlier estimate of 10.6 per cent and the original official 1992 target of 6 per cent, would require further reforms.

Despite fears that the growth will push up inflation and cause a boom-bust cycle, Zou said: "Supply on the domestic market is ample and retail prices are generally stable." The national price index rose by 4.9 per cent in the first half of 1992 against the same 1991 period, he said.

A State Price Bureau official, quoted by the official Xinhua news agency, said the latest liberalisation of prices "would not have too great an impact on the prices of consumer goods".

Yeltsin set for China visit

By Leyla Boulton in Moscow

RUSSIAN President Boris Yeltsin will visit China in mid-December and India in January in a clear sign that Russia is beginning to pay much more attention to its Asian neighbours after initially concentrating on the west following the collapse of the Soviet Union.

Mr Yeltsin's first presidential visits outside Europe and America take him later this month to Japan, where he faces tough negotiating on Japanese demands for a return of the Kurile islands. He then travels on to South Korea, which has worked hard to build up an economic presense in Russia.

After a cooling under President Mikhail Gorbachev's *perestroika*, Sino-Russian relations are also getting warmer, with Russia actively negotiating fresh arms sales to China.

UN's plans anger Somali strongman

By Julian Ozanne in Bardere, Somalia

GENERAL Mohammed Farrar Aideed, Somalia's most powerful warlord, said yesterday he opposed a United Nations Security Council resolution passed last Friday ordering the deployment of a further 3,000 blue berets in his country.

But he stopped short of past threats that he would attack armed UN troops who entered the territory he controls without his consent.

"This decision has been announced without consultation ... and without our consent and we believe it will not be constructive," he said in Bardere, 300km west of the capital Mogadishu. "We believe we can solve the security situation by our own means."

He urged the international community to feed his gunmen and help rebuild a police force instead of dispatching foreign troops to Somalia, where Mr Douglas Hurd, the British foreign secretary, is expected tomorrow as head of a three-hour European Community fact-finding mission.

Gen Aideed conceded that some of his forces had been involved in banditry and looting of relief food destined for starving civilians, including last Friday's chaos at Mogadishu airport where gunmen carried off 300 tonnes of food and 199 barrels of fuel. "They are hungry," he said.

Minutes away from the general's headquarters, hundreds of children are facing imminent death from starvation. Mothers struggled to gain entrance to the guarded gates of feeding centres where Somali relief workers dished out gruel.

At a centre at a disused hospital three children and six adults died before noon yesterday. Their limp bodies, wrapped up in castaway sacks from bags of food aid, were brought out and paraded before reporters.

The UN World Food Programme has so far flown in four C-130 Hercules flights to Bardere carrying food. Another German aircraft was due to arrive yesterday.

Iran's President Ali Akbar Rafsanjani acknowledges applause after his speech yesterday attacking the US role in the Middle East

US and Israel under fire at Jakarta talks

By William Keeling in Jakarta

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, yesterday criticised Israel for lack of progress at the Middle East peace negotiations.

The PLO had expected Israel to "take tangible, practical steps to push forward the peace process. Alas, however, repression is still continuing," said Mr Arafat, addressing the summit of the Non-Aligned Movement in Jakarta.

The PLO leader said proposals presented last week by Israel included "a project for local administration aiming at whitewashing the occupation" of Palestinian territory.

The role of the US in the Middle East was attacked by President Ali Akbar Rafsanjani of Iran, while Dr Mahathir Mohamad, the Malaysian prime minister, criticised the US-led "no-fly" zone in southern Iraq.

Mr Rafsanjani said supporters of Israel "have gained unprecedented and shameless presence in the region on the pretext of protecting Kuwait" and condemned "the continuous interferences" by the US in the region.

Dr Mahathir said he was perplexed by the "no-fly" zone in southern Iraq, set up to protect the Shia community from attack by Baghdad. "Maybe there are a lot of Shias in America," he quipped.

Commenting on Yugoslavia, Dr Mahathir said the failure of western countries to intervene is "in stark contrast to the response to the alleged killings of Kurds in Iraq ... even when the evidence [of the killings] is not clear".

Some delegates fear Dr Mahathir's approach to north-south relations will undermine the appeal by Indonesia, chairman of NAM, for a less confrontational dialogue with industrialised nations.

Iraq faces protest for jailing Briton

By Mark Nicholson, Middle East Correspondent

BRITAIN is to issue a stern protest to Iraq after the discovery that Baghdad has imposed a 10-year jail sentence on Mr Michael Wainwright, a Briton charged will illegal entry into the country.

The sentence, which the Foreign Office described as "totally disproportionate", follows the jailing last week of another Briton, Mr Paul Ride, 33, for seven years on the same charge.

The detentions come soon after the start of British, US and French air force operations to police a "no-fly zone" in southern Iraq and provocatively recall President Saddam Hussein's policy of keeping westerners as "hostages" during the early months of the Gulf crisis in 1990.

Mr Zuhair Ibrahim, who represents Baghdad's interests from the Jordanian embassy in London, will be summoned to the Foreign Office today "with some urgency" to receive an official protest at the sentence and a demand that Mr Wainwright and Mr Ride be released.

Mr Wainwright, 42, was arrested in April near Mosul in northern Iraq while on a cycling tour, but his detention was confirmed only last month after his family received a letter from him explaining his plight. The scale of Mr Wainwright's sentence was learned at the weekend after he was visited by Red Cross officials.

Mr Ride was arrested last month after having allegedly wandered into Iraq from Kuwait.

Both men were visited in Baghdad's Abu Graib prison last weekend by members of the International Committee of the Red Cross, who described them as "in good health and good spirits". A Red Cross spokesman said the pair appeared well treated.

UN says N-threat over

By Mark Nicholson

IRAQ's nuclear programme has been "neutralised", the head of the latest United Nations weapons inspection team said in Baghdad yesterday. "It stands at zero now," said Mr Maurizio Zifferero.

Mr Zifferero, deputy director of the International Atomic Energy Agency (IAEA), said the programme had been rendered harmless both through the efforts of repeated UN inspection teams and by allied bombing during the Gulf war.

Mr Zifferero, who is heading the 14th visit to Iraq by UN nuclear inspectors, said: "We're completing our investigation of the (nuclear) programme and find no evidence of the programme being continued."

But IAEA officials in Vienna emphasised that tough UN inspections of Iraq's nuclear-related sites and equipment would continue indefinitely. Officials said some equipment remained to be destroyed, while inspectors would also want to ensure that Iraq did not covertly resume work on developing its nuclear potential.

The IAEA also says it has made no progress in persuading Iraq to reveal either the procurement network which gave it access to nuclear technology, or the identities of foreign experts believed to have advised Iraq on its nuclear programme.

Bush presses Middle East leaders for more progress on peace

By Roger Matthews in Washington

PRESIDENT George Bush and Mr Lawrence Eagleburger, his acting secretary of state, will today complete a round of contacts with Middle East leaders aimed at accelerating the peace process when negotiations resume in Washington on September 14. The four Arab delegations yesterday agreed to an Israeli proposal for a 10-day recess so that the teams could return home for consultations.

When the sixth round of talks opened on August 24 it had been intended they would continue without interruption for a month.

Mr Bush has been in contact with King Hussein of Jordan, who is in the US recovering from surgery, while Mr Eagleburger is seeing the heads of delegations.

All sides have been pleased by the improvement in the atmosphere at the talks following the election of a new government in Israel, but there has been little if any progress on issues of substance. There is concern among the Arab delegates at what they see as the lack of involvement by the US administration.

Earlier this week the Palestinian delegation said its talks with Israel were at an impasse. Jordan complained that the Israelis had reneged on items that should appear on a joint agenda, while the Syrians said they had not yet seen an Israeli willingness to discuss "land for peace".

Israeli spokesmen have generally been more enthusiastic, especially about the talks with Syria.

Mr Yassir Arafat, the chairman of the Palestine Liberation Organisation, meanwhile has again shown his disregard for American public opinion, following his support for Iraq during the Gulf war.

He has appeared at the Non-Aligned Movement summit in Jakarta hand-in-hand with Mr Taha Yassin Ramadan, one of Iraqi President Saddam Hussein's closest colleagues.

● Jordan yesterday hailed a message from King Fahd, the Saudi Arabian ruler, to King Hussein as signalling a breakthrough in the countries' frosty post-Gulf war relations.

Mr Mahmoud al-Sharif, Jordan's acting foreign minister, said the message had "created an opening in the otherwise frigid relations in the two countries".

LONDON CITY AIRPORT

Mowlem plans to sell large airport stake

By Paul Betts and Andrew Taylor

JOHN MOWLEM, the UK building company, is planning to sell a large stake in London City Airport, the loss-making airport in London's Docklands 90 per cent owned by the construction group.

Mowlem said yesterday it had received a number of approaches from potential UK and foreign investors interested in acquiring a stake in the airport.

Mowlem, which has appointed investment bank Kleinworth Benson to evaluate the offers, said it would be prepared to sell a controlling interest or a large minority stake in the airport.

It intended, however, to retain a substantial stake of its own in the venture. The decision to consider selling a large stake in the venture coincides with what Mowlem regards as a turning point in the fortunes of the Docklands airport.

This follows the introduction of jet services at London City in April after the completion of a £5m extension of the airport's runway.

Improvements in the road access to the airport have also made London City more attractive and given the airport a boost. However, the airport is still operating below its break-even point of 400,000 passengers a year.

Mr William Charnock, the airport's managing director, said about 200,000 passengers were expected to use the airport this year but traffic was forecast to increase sharply in the last quarter with the new jet services.

Mr Charnock said the airport expected to reach its break-even point next year. Mowlem has invested about £37m in the airport which opened in 1987. The asset is currently valued at around £20m in Mowlem's books. The company estimates the replacement value of the airport at about £50m.

Mowlem says the decision to consider selling a stake in the airport was not driven by any balance sheet needs. A sale would not take place unless a satisfactory price could be achieved. Mowlem, while not forced to sell, would welcome the cash. The group like many construction companies has been hit hard by the recession in UK residential and commercial property markets.

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Police probe Moslem World Finance

By Chris Tighe

AN ASIAN businessman whose 'interest-free loan' dealings are being investigated by police following many complaints was the subject two years ago of a Bank of England injunction restraining him from taking deposits, it emerged yesterday.

Moslems in many parts of England fear they have lost substantial sums invested in Bradford-based Moslem World Finance, whose interest-free loans seemed to satisfy the Koran's ban on interest-bearing dealings.

Company proprietor Mr Mohammed Ramzan closed his Bradford office and disappeared about a month ago, leaving behind many clients who claim he owes them substantial sums of money.

Mr Ramzan consented to the terms of the Bank of England injunction obtained in the High Court in August 1990. A Bank spokeswoman said yesterday she could not say whether Mr Ramzan's subsequent business activities had been monitored nor why the injunction had been sought.

"We are constrained in talking about our activities in supervision in relation to any specific individual or institution," she said. She confirmed that Moslem World Finance is not, and never has been, an authorised institution under the Banking Act.

West Yorkshire CID have sent an initial report to the Fraud Squad. Police sources say inquiries are at an early stage but that the total sum involved is likely to be more than £1m. Mr Liaqat Hussain, President of Bradford's Council for Mosques, said he feared the amount invested could be much higher.

Islamic Party of Britain leader Mr David Musa Pidcock and a committee formed by 34 aggrieved investors, who deposited between £5,500 and £31,000 each, confirmed Mr Ramzan had received lump sum deposits under his scheme in 1991 and this year.

The Central Register of the Securities and Investment Board said yesterday MWF's activities came to its notice in 1990. It decided it did not need SIB registration as it did not appear to be an investment business. SIB referred the case to the Bank of England, which regulates deposit-taking business.

Moslem World Finance appeared to offer Moslems a solution to their dilemma of trying to reconcile the practices of Western financial institutions with the Koran, which forbids payment or receipt of interest.

The company promised that investors depositing an interest-free lump sum for one year would then receive their money back, plus an interest-free loan of three times that amount, which could be used to pay off their mortgages. Some clients remortgaged their homes to raise the lump sum; several now face repossession. It is unclear how many people invested in the scheme.

The telephone at MWF's office rang unanswered yesterday. Earlier this week, Mr Ramzan rang the Telegraph and Argus, Bradford's evening newspaper, saying he was in fear of his life but he declined to be interviewed.

A far pavilion with designs on a better future

Tom Burns and Jimmy Burns on the legacy of Seville's Expo '92

THE BRITISH pavilion at Seville's Expo'92, widely acclaimed as its architectural showpiece, faces an uncertain future. Government officials and potential investors are apparently unable to make up their minds about what to do with it once the fair ends in mid October.

The government has faced increasing lobbying from the British Science and Technology Trust, a charitable group, which counts Lord Forte, Lady Thatcher, and Lord Palumbo, the chairman of the arts council, among its trustees, to relocate the pavilion in the grounds of London Zoo.

Lord Palumbo has also put forward a proposal to have the pavilion sited next to the Design Museum at Tower Bridge, in central London.

There have also been approaches from Kent County Council – which wants the pavilion near the Eurotunnel rail terminal at Ashford – and from the National Energy Trust based in Milton Keynes, north west of the capital.

The British Science and Technology Trust project which would house an environmental technology centre, and a three dimensional cinema, is understood to have the tacit backing of senior management at the zoo and the Department of the Environment.

But the trust has been unable to raise the financial backing for its project and has said that it is unwilling to meet any of the costs of the relocation.

Professor Paul Cook, the trust's president, has argued that the government should be persuaded that the proposal best served the national interest as a home showcase for British environmental technology, as well as potentially helping the zoo out of its present financial difficulties.

"We think the scrap value of the building is £1m. We are not prepared to pay £1m. We want it given to us. It would become a fantastic exhibition centre which would stand on its own two feet," Professor Cook said.

But the Department of Trade and Industry, which paid £15m for the pavilion to be built by Trafalgar House just over a year ago, appears anxious to strike a hard commercial bargain over its disposal.

In Seville, chartered surveyors Healey and Baker are working on the department's behalf to attract firm bids from around the world for the pavilion, which boasts a 70-metre water wall as a facade and an internal volume as big as St Paul's Cathedral.

Healey and Baker said Monsanto, the chemicals multinational, was one of three groups studying an acquisition that would keep the building on its present site as part of a future research and development park being planned on the Expo site by the Spanish government.

Other national pavilions in Expo were built as temporary structures or, in the case of Italy and France, as permanent ones that will be maintained after the event by public money.

Denmark managed to sell its stylish pavilion to a Japanese group before it was even set up on the Expo'92 grounds.

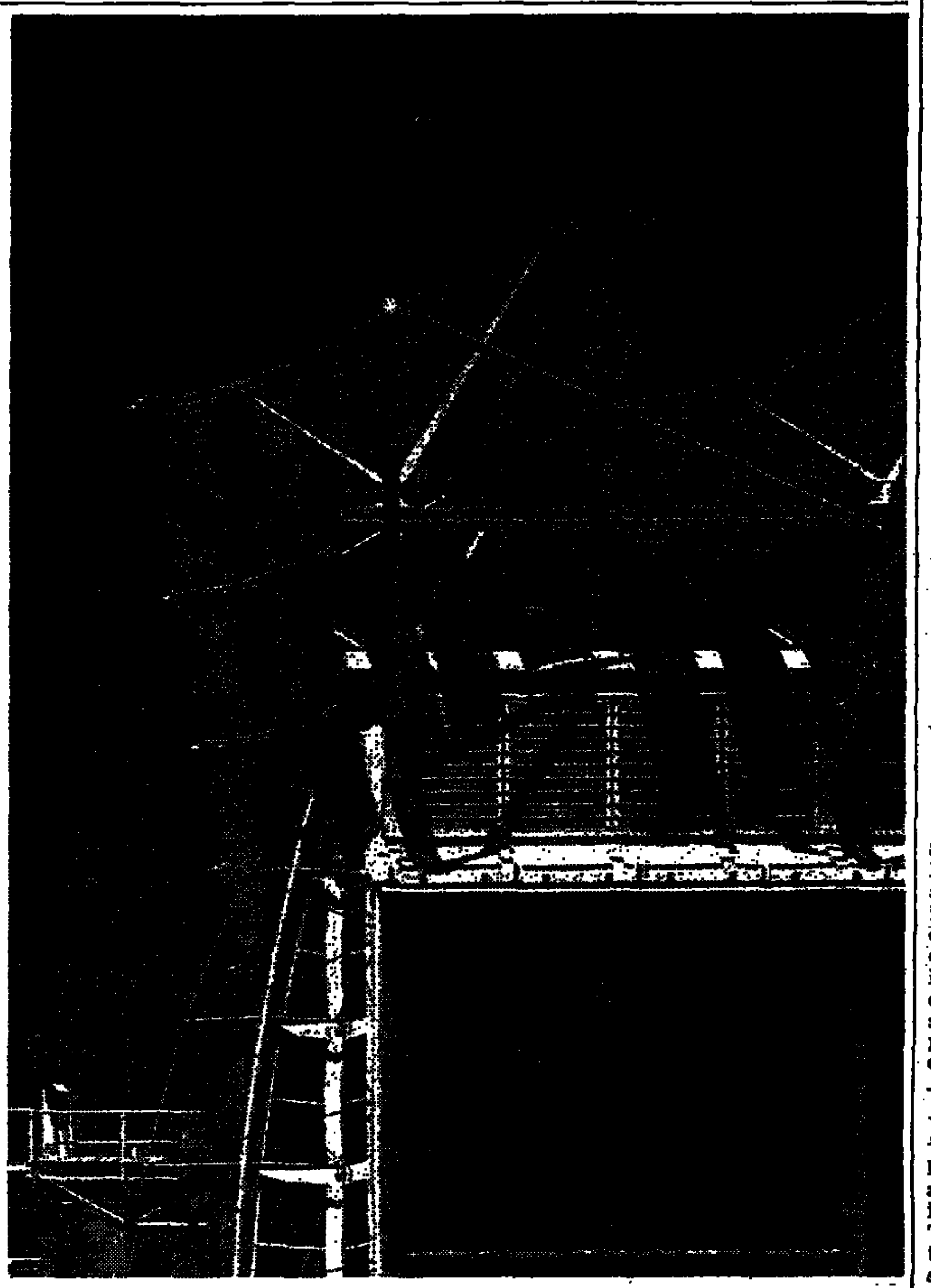
The sale, however, of the British pavilion is proving difficult partly because there is no a clear price for its transfer to the UK and partly because there is no clear guidance from the Spanish government on fiscal incentives for the future R&D park.

Interested parties in the UK are also faced with considerable additional costs involved in converting the pavilion's air conditioning and cooling systems, built for the Spanish summer, into central heating. An alternative energy supply for the water wall will have to be devised. At present it is powered by solar panels and the British weather would reduce the familiar sheet of water to a trickle from a leaking tap.

Healey and Baker has set a guide price of £2m to £3m for the building and a cost £2m for its transfer to the UK. It has received no firm offers.

Pressure appears to be on to secure a solution that would avoid the award-winning building designed by Nicholas Grimshaw being sold as scrap.

Under regulations agreed to by all the participating countries in the Expo, the five-storey building will have to be knocked down if the DTI fails to dispose of it by the end of March next year.



Building for the future: UK officials hope to find a buyer for the Expo attraction

Party calls for scrutiny of troubled companies

By Andrew Jack

BRITAIN'S opposition Labour party is pressing the government to improve the scrutiny of companies in financial difficulties such as Land Travel, the tour operator which went into liquidation in July.

Mr Nigel Griffiths, Labour's consumer spokesman, yesterday urged the Department of Trade and Industry (DTI) to examine all company accounts over which auditors express doubts. He also wants auditors to be required to notify the DTI of their concerns once accounts have been filed.

UK company legislation requires the accounts of all 1.1m limited liability companies to be examined by independent auditors each year.

The auditors include an opinion with the accounts which must be "qualified" if they have doubts about the financial information provided by the company or prospects for its survival. About 6 per cent of accounts were "qualified" last year.

This information is available at Companies House, the government's corporate information agency, but there is no mechanism to detect incoming "qualified" accounts and no policy of scrutinising them.

Mr Griffiths is concerned that the DTI did not investigate Land Travel before its collapse, even though its accounts were heavily "qualified" and showed net liabilities over the previous two financial years.

The proposals met with a mildly positive response from the accountancy profession. Mr Bill Morrison, chairman of the Auditing Standards Board, said: "There might be a case for some kind of central accounts ombudsman. It would be a load off the mind of the auditor."

ITV to show European soccer games

By Raymond Snoddy

INDEPENDENT Television (ITV), the UK commercial television network which lost coverage of the Premier League to British Sky Broadcasting, yesterday announced a multi-million deal to show exclusive live coverage of the group stages of the European Champions Cup.

The two-year deal should enable ITV to show games featuring leading European teams such as AC Milan of Italy, Barcelona of Spain, Marseille, FC Porto, and the British clubs Glasgow Rangers and Leeds United.

In the European Champions Cup, to be known as the Champions League, the last eight teams will play in two groups of four to determine the finalists.

ITV plans to cover six games live and show highlights from other group games. There is also an agreement to show Leeds United's first two rounds.

No value was placed on yesterday's deal but it is believed to be worth around £5m.

Docklands 'secrecy' criticised

By Alison Smith

ALLEGATIONS of excessive secrecy were levelled against the government yesterday over the planned move of department of the environment officials to London's Docklands: the big office development area down river from the capital's historic centre.

Mr Jack Straw, the opposition Labour party's environment spokesman, accused the government of suppressing reports about the state of the department's Marsham Street headquarters, and about the full range of other sites.

The department is due to leave Marsham Street by the end of next year, and has published a shortlist of four possible new locations, including Canary Wharf, the centrepiece of the Dockland's development.

In a letter to Mr Michael Howard, the environment secretary, Mr Straw contrasted the behaviour of the government in not publishing information with its stated policy of "open government".

Mr Straw drew attention to empty office space available in Westminster and around, both in the private sector and in government buildings soon to be vacated, such as Alexander Fleming House in south London.

There was, he said, an estimated 6,560,000 square feet of empty offices just in Westminster.

Unless the government was more open about the information on which it based its decisions, there would be doubt about whether the balance of financial advantage was really as ministers stated.

"There is a nasty whiff around the Docklands move, made much more pungent by all this secrecy," he said.

The department said that some of the information had not been published because it was commercially confidential.

Willis denies he will go soon

By David Goodhart

MR NORMAN WILLIS, TUC general secretary, yesterday denied reports of his imminent retirement but did state for the first time that he would not remain in the job until he is 65, in another five and a half years time.

Mr Willis said he would refuse to make any further comment before next week's annual TUC congress in Blackpool. The TUC is the umbrella body for most British trade unions.

Angered by newspaper reports speculating about his future he added that when he did make a decision about his future it would not come from "pressure from the press".

Mr Willis's comments, however, will not dampen the speculation, fuelled by private comments from senior union leaders, that he is likely to go – voluntarily or otherwise – within the next year.

The annual New Statesman survey on what trade union leaders think of each other, published tomorrow, shows Mr Willis second from bottom of a list of 13 headed by Mr John Edmonds leader of the GMB general union.

The poll, compiled from replies from 36 union leaders out of a possible 100, found only Mr Tony Dubbins, of the print union GPMU, did worse than Mr Willis.

The TUC, meanwhile, is attempting to return full employment to the top of the political agenda and yesterday released results of an opinion poll, by NOP, which found that 96 per cent of respondents said the achievement of full employment was either very important (83 pre cent) or fairly important (13 per cent).

The poll also showed that 55 per cent of respondents believed the government's current policies would never achieve full employment.

Industry receives ammunition for battle on power prices

Renewed demands for cuts in the fossil fuel levy could increase the pressure on Nuclear Electric, writes David Lascelles

THE rumbling debate about UK electricity prices focused on a new target this week: the fossil fuel levy.

The suggestion yesterday by Professor Stephen Littlechild, the electricity regulator, that the levy could be phased out more quickly than originally planned will provide strong ammunition to industrialists who have been complaining that electricity prices are too high.

But any decision about the future of the levy will have to be made by the government, which is maintaining a cautious silence.

The levy is effectively a tax on electricity generated by oil, gas and coal, and its proceeds go to subsidise power projects using non-fossil fuels such as nuclear power, wind and tides.

This year it will amount to £1.2bn – equivalent to 11 per cent on the electricity bills of every household and company in England and Wales. It is supposed to shrink by stages to £0.8bn in 1997.

Nuclear Electric (NE), the state-owned company which owns and operates the 12 nuclear power stations in England and Wales, gets over 95 per cent of the levy. It uses it to create provisions to cover the future cost of decommissioning and rendering these power stations safe when they end their useful lives.

This financial support is vital to NE's existence. In the financial year to March 1992, it made a loss of £783m, which the levy transformed into a profit of £482m.

The fact that NE can now get its nose above water has prompted the levy's critics – headed by large companies like ICI – to argue that the levy should be reduced.

Prof Littlechild also believes that a faster phasing out of the levy would put added pressure on NE to cut its costs and make itself fully commercial.

NE does not deny that the levy makes all the difference. But Dr Bob Hawley, its new and combative chief executive, stressed yesterday that he had already set the company the goal of achieving a profit without levy by 1995. So Prof Littlechild's remarks were superfluous, he said, even assuming he had the right to tell NE how to run its affairs.

The main question is whether NE should continue to receive the levy once it is making a profit on its own. Dr Hawley says NE needs the levy to make provisions for the reactors it inherited when it was formed in 1990. The profits, when they come, will be needed to make provisions for reactors still to be completed, like Sizewell B on the Suffolk coast.

If the levy is abolished, the provisions will still have to come from somewhere, most likely from public borrowing. The Treasury may prefer to keep the levy – which is effectively a hidden tax which few people even know about – to having NE's costs heaped on to the PSBR.

This suggests that the government may resist calls to get rid of the levy, particularly given its opposition in principle to handing out subsidies. Any decision would also have to take account of other major events looming on the energy front, notably the planned privatisation of British Coal this year, and a full scale review of the nuclear power industry in 1994.

Removal of the levy could be good news for coal insofar as it would lower electricity prices and boost demand. But it might also put paid to the nuclear industry's chances of surviving the 1994 review.

Even so, electricity industry sources were saying that they believed Mr Michael Heseltine, the secretary of state for trade and industry, who now handles energy policy, may be more sympathetic.

Prof Littlechild, it was suggested, may even have made his remarks the suggestion of government officials in order to provide Mr Heseltine with a cue, though as an independent figure, he is free to say whatever he chooses.

Professor Stephen Littlechild, the electricity industry regulator, yesterday joined calls for a reduction in the 11 per cent "nuclear levy" on electricity bills, sparking a bitter row with Nuclear Electric, the state-owned generator.

He proposed a "faster and more certain reduction" of the nuclear levy, which was imposed after privatisation of non-nuclear generators in 1990 to subsidise the higher costs of nuclear electricity.

Prof Littlechild (right), director general of electricity supply, was addressing the Energy Intensive Users Group, a group representing large electricity consumers which have recently warned that the competitiveness of UK industry could be harmed unless prices are lowered.

The DTI said Prof Littlechild was free to express his views, but reiterated that in discussions with large users on electricity prices it had made clear there could be "no question of public subsidies".

Mr Robert Hawley, Nuclear Electric's chief executive, wrote to Prof Littlechild on Tuesday night but failed to dissuade him from unveiling his proposals yesterday. In a strongly-worded protest, Mr Hawley called the move "unjustifiable and untimely interference".

Britain in brief

Train driver blamed for fatal crash

Driver error was to blame for a rail cash which killed two and injured 542, according to an official report.

The accident happened in January last year when a commuter train from Sevenoaks, Kent, hit the buffers at London's Cannon Street terminus. Three days after the accident, tests on Mr Graham showed he had small traces of cannabis in his blood.

The HSE said there was no firm evidence of a link between the "use of cannabis" and the braking error. The report also said British Rail should replace its ageing Class 415 electric multiple units with new Networker units "as soon as possible".

Heads oppose pay scheme

Headteachers are opposed to the government's plans to introduce performance-related pay for school teachers, according to a survey published yesterday by the National Association of Head Teachers.

The survey, carried out by the independent Institute of Manpower Studies, showed that heads were almost universally very sceptical about performance pay, either at individual or school level.

Bank staff to be balloted

Some 2,000 Manchester staff of National Westminster Bank are to be balloted on taking industrial action in protest at compulsory job losses. The executive of the Banking Insurance and Finance Union decided to ballot over what it says are 250 job losses in the past two months, including 70 compulsory redundancies.

Brel renamed

Brel, the train manufacturing arm of British Rail privatised in 1989, has been renamed ABB Transportation Ltd following the acquisition of a controlling stake in the business by Asea Brown Boveri, the Swedish-Swiss engineering group, earlier this year.

More tourists visit Britain

The number of overseas visitors to Britain grew by 12 per cent to 7.8m in the first six months of 1992, according to figures released by the British Tourist Authority. Their total spending also rose by 12 per cent, to £3.2bn.

Knightsbridge plan approved

A proposal for a new shopping and office complex covering four acres of Knightsbridge, central London, has been given planning permission.The developers believe the £300m project – comprising 308,000 sq ft of shops, 737,000 sq ft of offices and 27 homes – will appeal to retailers hoping to attract shoppers from Harrods, the nearby department store.

BBC chief to fulfil contract

Sir Michael Checkland, director general of the BBC, said he would continue in his job to the end of his contract, contrary to recent reports.

Criticism of the BBC by Mr Michael Grade, chief executive of Channel 4, is thought to have prompted media speculation that Sir Michael would retire early to clear the way for Mr John Birt, director general designate. But Sir Michael said he would remain director general until his contract ended next February.

Sexual bias linked to age

Attitudes to sexual harassment depend more on age than sex, according to a Mori poll of nearly 2,000 adults.

Men over the age of 55 were more likely than younger males to blame women for dressing provocatively; older women, meanwhile, tended to say women who had been harassed should have complained earlier, said the survey, commissioned by the GMB general union.

MANAGEMENT: MARKETING AND ADVERTISING

Gary Mead says that NutraSweet's decision to sponsor the London marathon is part of a broader strategy

Keeping us sweet in the long run

At first glance, it seems odd that NutraSweet this week opted to sponsor the annual London marathon. After all, the company – which makes low-calorie sweeteners – has only ventured into sponsorship deals twice before, for tennis in the US and ice-skating in Europe.

NutraSweet's European operation – with its headquarters in Switzerland – is a joint venture between the US company of the same name and Ajinomoto, the Japanese life sciences company. It started marketing its product in the UK in 1983. Ewan Currie, NutraSweet's marketing director in Europe, says the marathon sponsorship deal is partly a public relations exercise to mark a decade's trading in the UK.

But the drive to boost an already successful brand name is fuelled by increased competition on the horizon; marketing strategy is coming to the fore.

NutraSweet is the brand name given to a combination of two amino-acids which, in contact with saliva, taste like sugar. Indeed NutraSweet claims its formula tastes more like the real thing than saccharin, cyclamate or other chemical low-calorie sugar substitutes.

First developed in 1965, NutraSweet gained US regulatory approval in 1981, followed by UK approval in 1983. Since then the company, which in the US is owned by Monsanto, the agri-chemical giant, has ballooned. Now sold in 90 countries, NutraSweet is poised to take advantage of opening doors in leading European markets.

Currie bases his expansionary hopes on the experience in the UK; in 1991, 27 per cent of all soft drinks sold in the UK were low-cal, and NutraSweet's share of that market is about 20 per cent.

In Europe, the average person annually consumes 25-85 litres of soft drinks; in the US that figure is a huge 180 litres. Moreover, in the US 30 per cent of all soft drinks are low-cal and NutraSweet supplies almost 100 per cent of that market. The only other permitted sweetener in the US is saccharin, but all products using saccharin are required by the Food and Drugs Authority to carry a health warning.

In Europe, NutraSweet's upward path was blocked until this year; low-cal soft drinks in Italy and Spain account for no more than 3 per cent of the market. Regulatory approval – in France in 1988, Germany 1990, and in Italy and Spain this year – is now opening the way for expansion.

In European markets where NutraSweet is available, it has proved popular, and to meet growing demand, it intends building a factory at Gravelin in France.

NutraSweet has become an international brand in just over a decade, with $900m (£452m) annual turnover in 1991, $85m of that in Europe. Market leaders in many countries now formulate products with 100 per cent NutraSweet, including Diet Coke and Diet Pepsi and Schweppes slim-line tonic.

But that growth has been fuelled not just by a successful product. A variety of marketing strategies – including placing the NutraSweet logo on products which use it as an ingredient – has boosted both its brand profile and that of the main product. NutraSweet as an ingredient currently has its logo on more than 2,000 products internationally.

Currie gives an example: "We gave a test group a sample. We poured half a can of Diet Coke in one glass and half of the same can in another and said 'here are two different versions of Diet Coke to try'. The result was that 56 per cent said they preferred the version with the NutraSweet logo, 39 per cent chose the other, with no NutraSweet logo. Of course Diet Coke is a tremendously powerful brand name but even with that we can make a contribution to perception of the product."

Thus Currie hopes that the £4m NutraSweet is spending on sponsoring the London marathon for the next two years will boost his company's brand profile and that of manufacturers which use it. NutraSweet spends $10m a year on pan-European advertising but backs that up with continuous consumer research and samplings; the first UK television advertising campaign, in 1985, was supported by samples sent out to 8m homes.

But NutraSweet is facing the prospect of increased competition. The US patent on NutraSweet expires in December, and four other types of sweeteners are awaiting US Food and Drug Administration approval – sucralose, acesulfamine-K, alitame and cyclamate, with the likelihood that sucralose – (by McNeil Speciality Products, a subsidiary of Johnson & Johnson) will gain FDA approval first.


Best foot forward in the London marathon to fight off the threat of the increased competition on the horizon

There are two technological means by which NutraSweet could face down the competition.

One is the technologically tricky problem of finding an effective bulking agent to use in chocolate and confectionery. Removing sugar from confectionery removes not just calories but also bulk.

A less intractable area concerns baking. Manufacturers of baked products looking for low-cal ingredients to replace sugar find that baking separates NutraSweet's amino-acids, defeating the chemistry which lies behind its success.

Although NutraSweet is now developing NutraSweet 2000, which Currie promises will be up to 20,000 times sweeter than sugar (against NutraSweet's 180 times) and will not break down during baking, it needs to capitalise on its brand name while the competition gathers pace. Marketing initiatives – like the London marathon – are part of its strategy to stay ahead of the pack.

The creative department is brought to account

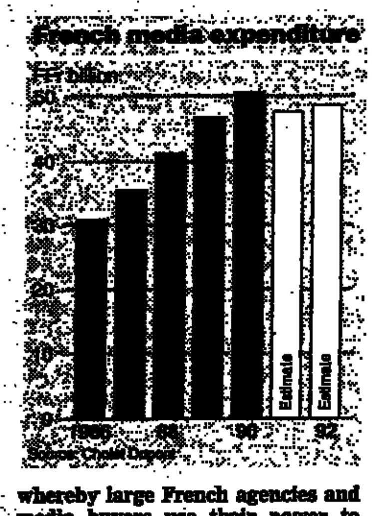
French media agencies are fuming over efforts to clean them up, reports **Alice Rawsthorn**

"This is the most ludicrous piece of legislation I've ever seen," said the head of one leading Paris advertising agency. "It's a scandal," snarled another. "If this thing actually becomes law, it'll be a disaster, the industry will never survive," said a third.

The object of their scorn is the apparently laudable attempt of the French government to crack down on business corruption, one of the first initiatives announced by Pierre Bérégovoy when he became prime minister in the spring. The first fruits of Bérégovoy's campaign were unveiled last week when Michel Sapin, his successor as finance minister, produced *la loi Sapin*, his proposals to stamp out dubious practices in a number of industries – including advertising.

Sapin's aim is to clean up the ad industry by making sure that advertising agencies and media buyers are thoroughly accountable for the money they spend on their clients' behalf.

One target of *la loi Sapin* is "undisclosed discounting", whereby large French agencies and media buyers use their power to negotiate bulk buying discounts – anything from 20 to 50 per cent of the full price – from media owners and do not pass all, or any, of the money on to their clients.



Another is "double invoicing", whereby the agencies ask the media owner for two invoices – one for the client, which does not reveal the discount, and a second showing the real value of the deal.

The government's solution is to try to eliminate both practices by insisting that media owners are paid directly by the clients and separating the functions of the media buyers, who book space for ad campaigns, and media brokers, who buy space and sell it on to their own clients.

To an objective observer this all seems eminently sensible. The French advertising industry has, after all, always had a slightly *risqué* reputation.

Undisclosed discounting and double invoicing have long been common industry practice. To some extent they are the predictable product of any self-regulated industry where large sums of money change hands. The big US and UK agencies are wont to be snooty about business standards in France, but similar practices are rife in New York and London.

Until recently, the French government was prepared to turn a blind eye. But the advertising industry has expanded so fast in the past decade and the scale of media buying deals is now so much bigger, that the authorities have been forced to act.

France is the world's fifth largest advertising market, worth just under FFr48bn (£5bn) last year. The market has been transformed since the late 1980s, mainly due to the government's television deregulation drive which has included the privatisation of TF1, the biggest single station, the creation of three new private channels, as well as the development of a cable and pay-TV network. The press has also been expanding.

This has made media buying more complex and more competitive, thereby enhancing the potential to play one media owner off against another through negotiation. A new breed of specialist media buyers has emerged, notably Carat, which has built on its original base in France to become Europe's biggest single buying group. Other large agencies have responded by joining forces to pool their media buying.

French media buying is now dominated by four players – Carat, the Euro:RSCG agencies and two agency consortia, PMS and The Media Partnership – with a collective market share of 70 per cent. The emergence of these big buying groups has intensified the pressure on smaller agencies, as well as on the media owners.

The government's first response was to initiate an inquiry into the media buying system by the Conseil de la Concurrence, the competition authority. The conseil delivered its preliminary report earlier this summer and is expected to produce final proposals within the next few months. *La loi Sapin* is an unexpected addition to the legislative changes facing the industry.

The large agencies and media buying groups are furious. Delegations of fuming advertising executives have already complained to the finance ministry. Publicly the agencies refuse to comment on *la loi Sapin*. Privately they accuse the finance ministry's proposals of everything from failing to understand the mechanics of their business, to being an unwarranted intrusion into their affairs.

Some of the complaints are justified. The division between media broking and buying, for instance, may be difficult to implement. It is not clear how the government proposes to structure the new system – whether broking and buying would be conducted by completely separate companies, or if they could be executed by different subsidiaries within the same group. Sapin's proposals are similarly ambiguous in the details of implementing other measures.

In other respects the advertising industry appears to be attempting to defend the indefensible.

It remains to be seen whether the government will heed the industry's objections. *La loi Sapin* enters its second stage on Wednesday when it will be discussed by the French cabinet, followed by a full parliamentary debate next month.

BUSINESS LAW

EC merger regime defies expectations of critics

By Rachel Brandenburger

The European Communities Merger Regulation is almost two years old and the European Commission has received over 100 applications for clearance under its provisions. What lessons have been learned so far?

The processes are working well. Before the Regulation came into operation, the business community and lawyers alike were highly sceptical as to whether the Commission could transform itself from the slow, bureaucratic body it was perceived to be into an organisation capable of dealing with the fast-moving timetable of a takeover or merger.

The Merger Task Force – the newly created unit within the Competition Directorate (DGIV) dedicated to merger control – has confounded the critics. It has shown itself capable of adhering to the tight timetables laid down by the Regulation.

The task force operates an open-door policy, encouraging parties to a proposed merger and their legal advisers to discuss their proposals with task force officials "early and often". Liaison between the Commission and the competition authorities of the member states appears to be working well.

The Regulation is proving benevolent to mergers. They are being reviewed solely against competition criteria rather than wider social policy issues. Only nine of the clearance applications have gone to the full investigation stage and, of those, only one – Aerospatiale/De Havilland – has so far been blocked.

While generalisations are difficult at this early stage, it is interesting to speculate about whether some of the results would have been the same if the transactions had been reviewed by the domestic competition authorities instead of by the Commission.

All in all, few of the difficulties anticipated at the outset have materialised. While the task force has not been tested to the extent that it would have been if the Regulation had come into operation a couple of years earlier – at the height of the late 1980s' takeover boom – it is, nevertheless, interesting that its achievements are having a spin-off effect on the rest of the Competition Directorate.

Sir Leon Brittan, the EC competition commissioner, recently announced that he was considering the introduction of accelerated procedures for cases, particularly joint ventures, under Articles 85 and 86 of the Rome Treaty, similar to those under the Merger Regulation.

But there are some difficulties. One relates to determining which types of joint venture are "mergers" within the scope of the Regulation (for example, Thomson/Pilkington) and which are non-mergers coming within Articles 85 and 86 of the EEC Treaty (for example, Apollinaris/Schweppes). Knowing a merger when you see one may be an inevitable starting point, but revised guidelines from the Task Force would be helpful.

Another difficulty relates to determining whether the Regulation applies to a particular transaction. Sir Leon has said that "the Merger Regulation provides an excellent example of how subsidiarity can be put into practice ... the allocation of jurisdiction between the Commission and the member states is clearly based on this principle".

Whatever the theory, answering the practical question of whether a transaction is above or below the relevant thresholds is often not easy. Sir Leon's suggestion that there should be one notification form which could be filed with either the Commission or member state authorities is, perhaps, recognition that identifying the correct "shop" in which to "stop" may never be entirely easy. Some generally applicable guidelines from the task force would also be appropriate.

Reflecting the concept of subsidiarity, the thresholds are intended to bring within the ambit of the Regulation only those mergers which have Community-wide (or, at least, cross-border) effects, leaving those mergers which have an impact on only one member state to be scrutinised by the competition authority of that member state.

Thus, the Office of Fair Trading examined Lloyds Bank's interest in Midland Bank while the Commission looked at Hong Kong and Shanghai's bid.

The Regulation can also apply in some unexpected situations:

- It can apply even though *neither* of the parties to a transaction has headquarters in the EC. So long as the aggregate worldwide turnover the parties to the merger exceeds Ecu5bn (£3.62bn) and the aggregate EC-wide turnover of each of at least two of the parties exceeds Ecu250m, the Regulation will apply to the transaction (unless each of the parties to the transaction achieves over two-thirds of its EC-wide turnover in the same member state).

Thus, the Regulation applied to, for example, Mitsubishi's joint venture with Union Carbide, Matsushita's acquisition of MCA and AT&T's bid for NCR.

- Conversely, the Regulation can apply even where both of the parties to a transaction are based in the same member state as in, for example, Steetley's proposed joint venture with Tarmac and Thorn EMI's acquisition of Virgin Music.
- The Steetley/Tarmac decision also illustrated another form of subsidiarity under the Regulation. If the Commission considers that the merger in question related to a "distinct", rather than an EC-wide, market, it can "refer" the transaction to the relevant member state's competition authority rather than examine it itself. Thus, there was a reference to the UK Office of Fair Trading and Monopolies and Mergers Commission in Steetley/Tarmac (bricks and clay tiles) but not in Thorn EMI/Virgin Music (music).
- The Regulation can also apply where only one of the parties to the transaction has its headquarters in the EC provided the thresholds summarised above are reached. Thus, the Regulation applied to Du Pont's acquisition of man-made fibre businesses from ICI and to Nestlé's bid for Perrier (although both purchasers are Swiss companies).

Nestlé's bid for Perrier is likely to be remembered, however, for a different reason – recognition that the Regulation applies to oligopolistic (or collective) dominance as well as to single firm dominance.

The Regulation does not expressly mention the concept – effectively, a presumption that competition is inhibited in a market with only a few players – although the concept is recognised, to varying extents, in German merger control law *(Oligopolmarktbeherrschung)* and in UK monopoly control law (complex monopoly).

In Thorn EMI/Virgin Music, the presumption was rebutted. The Commission noted that, although the Thorn EMI/Virgin Music market share would be less than 25 per cent in nearly all member states and in the EC as a whole, the industry was highly concentrated with the top five companies (including Thorn EMI post-merger) having an 83 per cent EC market share. But, after an initial examination, the Commission cleared the transaction on the basis that the merger could not fundamentally change conditions of competition in the industry.

In Nestlé/Perrier, by contrast, the Commission concluded that the elimination, as a result of the merger, of Perrier as a competitor in the mineral water market in France and the resulting duopoly employed by Nestlé and BSN would have significantly impeded competition. The conditions accepted by Nestlé to secure clearance from the Commission are designed to create an independent third force in the market.

With collective dominance firmly on the Merger Regulation map, there are likely to be implications for merger activity in a wide range of highly concentrated industries, not least recently privatised industries in the UK.

The author is a member of the competition group at City solicitors, Freshfields.

Martin Dickson describes how General Electric has co-ordinated its research labs so they produce more commercial products

All for one and one for all

R&D

BILL LORENSEN takes a scalpel, cuts into the face of the deformed teenage girl, peels away the skin around her eyes to reveal bone, and quickly proceeds to re-align her features so that her eyes no longer protrude abnormally from her skull.

The scalpel is only electronic, and the three-dimensional face is merely portrayed on a television monitor in the computer graphics laboratory at General Electric's corporate research and development centre in Schenectady, New York.

But the techniques Lorensen is demonstrating were used in just such an operation by cranial facial surgeons in a Boston hospital who have been experimenting with new GE equipment, hot off the laboratory bench, designed to help very long and complex medical procedures.

Advanced GE body scanning equipment, combined with the laboratory's computer graphics techniques, allows surgeons to construct three-dimensional images of patients and then simulate the cuts needed to perform successful operations on them.

This is just one small example of the way in which GE, one of the largest and most diversified companies in the US, is addressing two fundamental issues facing businesses with large R&D staffs:

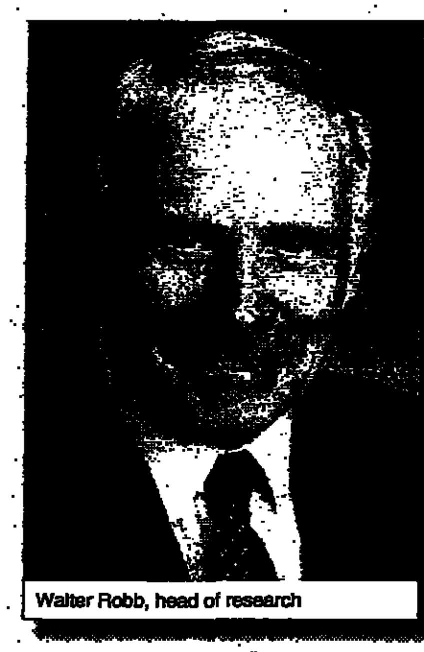
● How do you make your scientists, who may be happier advancing pure human knowledge, perform work which is relevant to the company's business, boosting the bottom line?

● And, in the case of a diversified business like GE, how do you get laboratories in different scientific disciplines to co-operate, making the product as a whole more valuable than the sum of its parts?

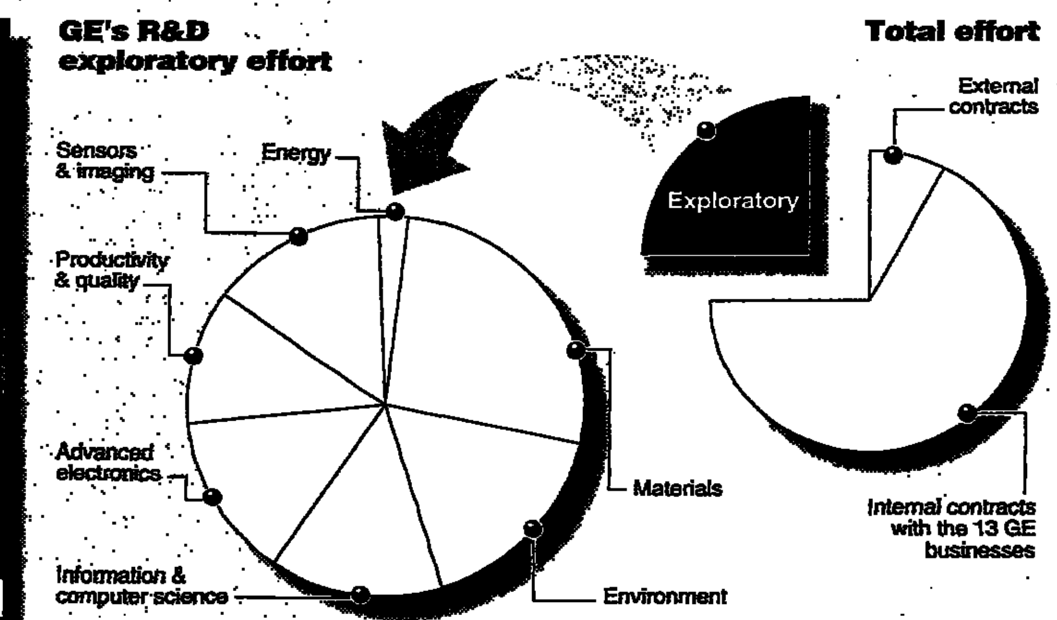
Lorensen's work involves close co-operation between the graphics laboratory and GE's applied physics lab, which has responsibility for maintaining the company's lead in medical diagnostic imaging, gained through its development of computed tomography and magnetic resonance scanners.

His job also involves working hand-in-hand with GE Medical Systems, the division which sells the imaging equipment, and the hospitals which buy them, like the one in Boston.

The Schenectady centre, one of the largest and most influential R&D bases in corporate America, dates back to the start of the century and employs just over 1,000 scientists and technicians. Its long list of successes includes the invention of the modern medical X-Ray tube, the first method of manufacturing industrial diamonds and development of the world's leading computed tomography scanner.



Walter Robb, head of research



GE's operating divisions also have their own large R&D facilities, but about 30 per cent of all the group's patents and some 50 per cent of its technical papers are generated at Schenectady.

Its broad sweep of current R&D includes: a computerised design tool that runs other computerised design programs to find the optimal solution to problems; the application of fuzzy logic, or smart controls, to consumer electrical goods; and the use of computer-based analysis to reduce risk in GE's large financial services business.

However, the centre has gone through a big shift of emphasis in recent years. Walter Berninger, who heads the engineering physics research centre, says that 20 years ago there was far more of a focus on pure research. About 10 years ago came a demand for greater relevance to GE's operating businesses, while the emphasis now is on both revelance and importance – with the latter measured in terms of profits.

Much of the shift is due to Walter Robb, who has headed the centre since 1986 and before that spent 13 years as head of one of GE's business success stories – the medical systems division which is now the world's leading producer of diagnostic imaging equipment.

Robb has made two important structural changes. The first is in the way the centre is funded. Under the old system, GE's various operating businesses paid Schenectady a fixed annual assessment, or tithe, based on the size of the business. This money went into a central pool and it was up to the centre to decide how to spend the sum.

The system was frustrating for both sides. The businesses saw no connection between what they had paid and what the laboratories did, while the centre often complained of businesses sitting on commercially applicable patents it had developed. Robb sharply cut the tithe paid by the businesses and now applies this smaller pool to fund more high risk, so-called "exploratory" research which may or may not find a practical application one day.

However, any work going beyond the exploratory area now has to be financed 100 per cent by a business out of its own funds. The result is a closer watch by a business on how its money is spent and a concern on both sides to ensure the results can be rapidly commercialised.

"It is very rare now that a programme is in the applied development area and is not tied in on the critical path of a business's product plan," says Robb. "They have limited dollars and they are trying to spend them on things that are going to be important."

The second change, linked to the first, was in the way the centre communicated with the various businesses. It previously had a group of full-time liaison managers, each of whom looked after several GE businesses.

Robb replaced them by assigning senior Schenectady figures – the managers of the various laboratories – to spend part of their time being the centre's rep with a single business. The rep gathers ideas from all the centre's laboratories for research which might help his client business and each spring he puts together a funding proposal which he pitches to the business.

"He is to some extent a salesman," says Robb. "He comes back from the business with a commitment to fund a certain number of programmes."

The result has been much closer links between the two sides, with, for example, the Schenectady manager invited to the business's planning sessions and staff meetings.

There are also substantial financial incentives underpinning this co-operation. The more funds a researcher can attract, the more chance he has of getting his ideas patented and into products.

The centre gives an extremely modest $400 (£200) reward for a patent, but an individual's salary depends in part on performance. Schenectady now also grants reseachers GE share options for outstanding work.

A feature of the annual performance review of senior managers is how many products their operations have "transitioned" – an ugly piece of slang, often heard in the centre, which means transferring an idea from the laboratory to the market-place.

Michael O'Mara, who runs the chemical research centre, says Schenectady scientists no longer throw an idea over the wall to a business division, sit back and say "my job is done".

"People see that if you want your baby to be successful in the market place you have to take on more responsibility." This attitude has been reinforced by a more general GE philosophy encouraged by Jack Welch, the group's chairman, who aims to create a "boundaryless" organisation to cope with the business challenges of 1990s. His idea is both to cut out unneccessary layers of bureacracy and also to foster the free flow of ideas around the vast organisation.

Robb says Schenectady has always been pretty boundaryless itself, sharing ideas between labs, but it has now become much more open in exchanging ideas with GE's businesses. In turn the businesses are now less suspicious of the centre: "They are prepared to come here and tell us what they are working on, and how much money they have to spend on it, and what the price objective is."

Robb points out that some 40 per cent of the centre's patents and technical papers are produced in co-operation with people in the businesses, while about 75 per cent of the business ideas it puts forward find their way to a commercial application.

Some 40 to 50 per cent of its patents and papers involve teams combining more than one Schenectady laboratory and Robb believes that this is the way of the future, with more and more advances being made by combining two technologies. However, he also reckons that the biggest breakthrough facing Schenectady is not going to be in any particular technology but in research productivity.

Computer capability is on the way, he says, which will allow the centre to "model, or simulate, practically every laboratory experiment that we will contemplate doing . . . even making a metal alloy."

That, in turn, will increase GE's general business productivity by cutting down the cycle time of new product development. And this, management gurus aver, is a key factor for business sucess in the 1990s.

Couriers take the IT route

That company report you need so urgently for this afternoon's meeting is winging its way from the New York office. It's in the hands of an international courier company and you expected it an hour ago.

International couriers have realised that customers can no longer be wooed by claims that "no mountain is too high" – as DHL's UK advertising campaign says. "Couriers now have to offer the reliability customers may not be getting from their national postal services, as well as speed," says John Mullen, chief executive officer of TNT Worldwide Express.

To provide high-quality service, couriers have adopted package tracing systems. One of the most advanced has been developed by Federal Express, which supplies its drivers with hand-held computers called Dads (digitally assisted despatch systems) to deliver between 2m-3m items every day in the US.

FedEx drivers are told where their next pick-up will be and the easiest way to get there via the Dads display. The advantage of this system is that collections can be made on an ad hoc basis throughout the day.

The driver scans the computer barcode label on each package and enters the details of the final destination into a hand-held computer. The information is transferred to the mainframe computer in FedEx's Memphis headquarters via a satellite link and is then accessible to FedEx bases throughout the world.

DHL, with the largest global network of all, employs a similar system which assists in the delivery of more than 60m consignments annually. DHL has now upgraded the service to give customers the option of linking into the network from their own offices.

DHL's package, called EasyShip, will give high-volume users the option of having a Compaq PC, two printers, an electronic weighing scale, a barcode scanner and a modem installed on their premises.

Drivers at United Parcel Service are also supplied with a hand-held PC, known as Diad (delivery information acquisition device), which not only transfers collection and delivery information into an international mainframe, but also stores the recipient's signature as proof of delivery.

Joyce Dundas

PEOPLE

Abbey's changing habit

A significant shake-up at the top of Abbey National is under way nearly two years ahead of the retirement of John Bayliss, the man who, as managing director for retail operations, has powered ahead with the main business of the building society turned bank for the last eight years.

Bayliss, 58, is now stepping up to be deputy chairman with overall responsibility for retail operations and the group's general insurance business. Charles Toner, Abbey National's European director, joins the group board as European director, becomes a member of the bank's executive committee, and will continue to run the European subsidiaries and Cornerstone, Abbey National's loss-making estate agents.

Meanwhile, Ian Harley, 41, currently retail operations director, steps across to become group treasurer, while Gareth Jones, 43, the man who set up Abbey National's highly profitable treasury, becomes director of retail operations, reporting directly to Bayliss, in a move that suggests the two men are being groomed as possible successors to Peter Birch, Abbey National chief executive. They may have to wait a while, as Birch is not 60 until December 1997.

■ WOOLWICH Building Society is reshuffling its general managers following the early retirement of Terry Webb, 55, previously in charge of operations.

John Stewart, 44, (left) steps into Webb's shoes as general manager retail operations. He had been general manager financial services.

Peter Burton, 42, (right) is promoted to general manager, one level below the main board. He will continue to be in charge of customer administration - but with the job upgraded in recognition of its increasing importance, according to the society.

Huw Alderman, 42, who has been head of corporate planning, is made head of financial services - in turn no longer a general manager level appointment, since the financial service activities are now independent subsidiaries each run by a managing director.

Michael Jennings, 39, previously estates controller, is appointed head of estates and premises.

■ David McCormack has been appointed md of LANDIS & GYR COMMUNICATIONS (UK).

■ Robin Williams is appointed sales and marketing director of ROCKALL DATA SERVICES; he moves from DCE Communications Group.

■ Keith Nichols has been appointed director of manufacturing consultancy at EDS-Scicon, an independent subsidiary of General Motors.

■ Ian Jones, formerly financial controller for NCR's Europe group based in Ohio, is appointed director of finance and administration of NCR Limited in the UK; he succeeds Paul Entwistle.

■ Julian Onions has been appointed technical director of X-Tel SERVICES.

■ Michael Shea, the Queen's former press secretary and ex-diplomat who is now head of political and government affairs at Hanson, has been made a non-executive director of Murray International Trust, Murray Income Trust and Murray Smaller Markets Trust, three funds within the stable of Scottish fund manager Murray Johnstone.

Chairman Nick McAndrew says he was attracted by the combination of Shea's "very interesting foreign office background" together with his Hanson experience. At one point during his diplomatic career - before he went to the Palace - Shea had been head of chancery in Bucharest. McAndrew says the fund management company is keen to know more about emerging markets, particularly Eastern Europe.

Shea, 54, has written about the delights of "portfolio living", or being involved in a "panoply of non-competing subjects" for those approaching the Third Age (supposed to begin at 55). Spending increasing amounts of time in Scotland, he is also chairman of Scotland in Europe; a visiting professor at the Graduate Business School of the University of Strathclyde; and a governor of his old school Gordonstoun.

Central looks outside

Central Independent Television has brought in Kazia Kantor from Grand Metropolitan to fill the group finance director slot that has been empty since Kevin Betts left in February.

Leslie Hill, chief executive, says he was looking for a candidate outside the industry, and that Kantor's experience at "interesting companies" ranging from GrandMet to an advertising agency would provide a useful fresh perspective.

Closely involved in the license renewal process last year, in which Central placed its winning bid of just £2,000, Betts had subsequently wanted to become more involved in strategy and management, according to Hill. " That was not something that was available in the next few years. It was no longer exciting enough for him."

Kantor, 42, who qualified as a chartered accountant with Price Waterhouse, spent 8 years at Inchcape, rising to the position of group financial controller. Since she left in 1987, she has had a series of jobs in quick succession: a spell at HMV; finance director of advertising agency Davidson Pearce around the time it was merged into Boase Massimi Pollitt; and director of corporate finance at Aegis. In mid-1990 she then moved to Grand Metropolitan as finance and business development director of the retail and property sector, and was latterly group business development director. Kantor, who has said she is particularly pleased to be returning to the Midlands where she grew up, was not available for comment yesterday.

London Promenade Concerts

Two sopranos

ON Monday night, in an otherwise heavy-weight programme (Elgar's Second Symphony and bleeding chunks from *Die Meistersinger*), Felicity Lott sang Hugo Wolf songs. Six of his best, indeed, and particularly enticing because we were hearing them in their rare orchestral versions: Andrew Davis took the BBC Symphony through them with scrupulous finesse.

Though the Albert Hall is not the ideal place for appreciating Wolf's subtleties, the entire set was a pleasure to hear. At least "Kennst du das Land?" is on a near-operatic scale, especially with Wolf's dramatic orchestra; and the vernal thrills in "Er ist's" were so vivid as to risk concealing the voice.

The charming "In dem Schatten meiner Locken" should be operatic, since Wolf orchestrated it for use in his opera *Der Corregidor* – but in practice, the original piano accompaniment can be more teasing and playful than is possible for a whole band.

In fact the introspective songs gained most from their new guise. There is nothing fancy in Wolf's orchestrations, but he selected plain timbres to unerring effect: sonorous horns for the benedictory dawn of "In der Frühe" (not really a soprano song, though), flutes for the wistful thirds-motif in "Anakreons Grab".

Mörike's little prayer "Gebet", too, glowed beautifully (just strings, woodwinds and soft horns). As ever, Miss Lott's clean-lined sympathy and poise were faultless.

David Murray

BETWEEN unprepossessing Hamilton (his Concerto for Orchestra) and Dvořák (the Seventh Symphony), the BBC Scottish Symphony Orchestra's prom on Tuesday provided one of the truly memorable experiences of the current season.

Isabelle Vernet sang Berlioz's *Les Nuits d'été* with such unfailing sense of line and effortlessly burnished, unforced tone she disarmed all criticism. The accompaniments were handled tactfully by Takuo Yuasa; he recognised there was no need to gild an already resplendent lily.

Andrew Clements

The miscast and unversed Antony Sher in the title role

Alastair Muir

Tamburlaine the Great

CHRISTOPHER Marlowe's *Tamburlaine the Great* contains some of the most wonderful passages of verse in English drama. No one can forget the line "To ride in triumph through Persepolis," nor Tamburlaine's tributes to his consort Xenocrate. Yet the play is very rarely done professionally. It went through the 17th, 18th and 19th centuries without a recorded performance. The Yale University Dramatic Association revived it in an abbreviated version in 1919, and since then it has remained a favourite with universities. The only previous performance I have seen was at Oxford.

The Old Vic staged it in 1951 with Donald Wolfit as Tamburlaine under the direction of Tyrone Guthrie. Peter Hall produced it for the National Theatre in 1976, when Tamburlaine was played by Albert Finney. The new production at Stratford directed by Terry Hands is the first time that the Royal Shakespeare Company has touched it, and one begins to see why performances are so few and far between.

Tamburlaine is played by Antony Sher, which is part of the problem. Sher has many qualities, including an ability to hang upside down on a rope while speaking his lines and a way of stuffing emotion into killing and dying. But he does not seem particularly interested in speaking verse. This is a serious lapse, for the quality of some of the verse is the most that can be said for *Tamburlaine*. Untune that string and, to quote another play, hark what discord follows.

Unlike Marlowe's *Doctor Faustus*, the play has no real plot and very little subtlety. Tamburlaine, drawn from the historical character Timur Khan (1336-1405) simply goes on conquering till he dies. The play's attraction is the way he puts his overwhelming ambition into poetry – "I hold the Fates bound fast in iron chains" – and equally his expression of love for Xenocrate, daughter of the Soldan of Egypt, whose land he also conquers.

To be fair to Sher, it is not entirely his fault for not taking the poetry as central. *Tamburlaine* comes in two parts. University productions tend to concentrate on part one, where the conqueror is on the up and up and has his best lines. The RSC version, though condensed, gives parts one and two. The best scenes between Tamburlaine and Xenocrate are spread across both, and it is only in part two when she is dying that Xenocrate (played by Claire Benedict) comes into her own. Tamburlaine has a lot of fighting to do in between and after.

Sher plays him as a demonic Hitler figure, possibly with a touch of Saddam Hussein. He should not be unduly criticised for that either. Only undergraduates would romanticise Tamburlaine as a man. Yet they do that for an understandable reason: he speaks romantic verse, some of it foreshadowing Keats, as in the lines beginning "If all the pens that ever poets held".

There is one point in the production where Sher's performance is admirable. That is Tamburlaine's desire to return to Samarkand, the place from whence he came, before he dies. He fails to make it. Here Sher is in his element. I had not previously seen this as a pivotal part of the play. I also greatly admired the performance of Darlene Johnson as Zabina, the wife of Bajazeth, the emperor of Turkey whom Tamburlaine imprisons in a travelling cage. Here is one piece of dignity in a vicious world.

Malcolm Rutherford

Edinburgh International Festival

Royal Concertgebouw Orchestra

WHEN Riccardo Chailly announced a Rossini encore to mark the composer's bicentenary at the end of Monday's concert, somebody in the row behind me exclaimed, "But the Beethoven was just like Rossini already!". Whether out of jest or annoyance it was not clear, but there was some truth in his remark.

The Royal Concertgebouw Orchestra's transformation is complete. The days when it played with deeply-considered sobriety under Bernard Haitink seem a long way off. With Chailly, the orchestra still gives serious performances, but it is serious about different things – about clarity and beauty, lightness of touch and Italian effervescence.

In the two concerts they gave in Edinburgh, nothing suited Chailly and his players better than the 20th-century works, Webern's Passacaglia and Berio's *Requies*. The Berio, an elegy upon the death of the composer's former wife, moves like an angel in flight. Its quicksilver blendings of wind and strings float along as though no bass sound can hold them down and finally they disappear altogether in a flutter-tongued flute solo. The piece could not have been played with more ravishing delicacy.

Whether the same virtues are as welcome in Haydn and Beethoven is questionable. There was no jovial rough-and-tumble in Chailly's perfectly manicured delivery of Haydn's "Farewell" Symphony. For example, it is difficult to give the surprise ending of the Minuet any punch, when every twist of the music has been prepared so assiduously in advance.

In Chailly's hands, both Haydn with his earthy humour and the reputedly uncouth Beethoven became cultured gentlemen. The latter's Fourth Symphony, the main work in the first concert, was exquisite in every detail, but it lacked guts and drive.

One wanted to go up on stage, grasp the drumsticks and give the timpani a jolly good thwack. Only an Italian, though, could make the slow movement sing so eloquently. And the finale was marvellously lucid, with a twinkle in the eye.

For the Beethoven work in the second concert, the conductor had chosen his partner well in Maria Joao Pires. Neither is the type of performer to make Beethoven sound ponderous when he is not in the mood to be. Their combined sensitivities resulted in a beguiling performance of the Fourth Piano Concerto, and Pires, in particular, managed to commune with the soul of the music without sounding in the least precious.

Then to Tchaikovsky, the festival's omnipresent composer of the year. Panache, virtuosity and plain force, all had to be brought into play here, as Chailly can when he wants to, and the Fifth Symphony went with plenty of excitement, wanting only the remarkable passion that the St Petersburg Philharmonic had brought to its native Tchaikovsky when visiting the week before.

These reservations apart, Chailly is a good musician and the Amsterdam orchestra sounds as impeccably groomed as ever. Their Rossini encore, incidentally, was a delight.

When the Royal Concertgebouw arrives in London, I recommend that the Proms audience applaud long and loud to hear it.

Richard Fairman

Concerts sponsored by British Telecom and The Royal Bank of Scotland

Els Joglars

HERE is something extraordinary – a work of theatre that seems wild but proves tightly organised, which is funny and painful at the same time, which operates on three separate planes at once. The company is the Catalan troupe Els Joglars. Its Edinburgh performances are also part of the European Arts Festival. *Yo Tengo un Tío en América* (*I Have an Uncle in America*) is deeply humane, bizarre and a triumph of imagination and craftsmanship.

The scene is a psychiatric institution. Six therapists give their eight patients drama therapy and have them re-enact the conquest of America by the Spanish. The therapy and the conquest also include the inculcation of flamenco dance. Does this sound strange? What makes it stranger is that everything is presented from the point of view of the patients. They are a pathetic bunch, and *Yo Tengo* makes no attempt to give them dignity or beauty. But each is a vivid individual, strongly characterised from from the first.

The plain, ugly individuality of the patients (or native Americans) is contrasted with the glamorous conformism of the therapists (or conquistadors). Espasa, with his encyclopaedic mind; Paqui, a nymphomaniac obsessed with pregnancy and giving birth; Manolo the visionary; Conde the pyromaniac; the autistic Jordi, who communicates only through music.

They make a pretty daft kind of New World, but they lose themselves in it so entirely that we do too – and when the therapists suddenly order them to snap out of it or back into it, they and we are stunned. The therapists participate in the fantasy, and this heightens the derangement.

They dance flamenco – isn't dancing therapeutic? – but flamenco is also a disciplined, Spanish form, which becomes a symbol of invading authoritarianism. One patient comments "The Spanish are folkloric even when they conquer." Eventually the patients dance flamenco too – it's a necessary step towards conformism.

The patients throw themselves into the fantasy, and each brings his or her own obsessions into visualising Old America. Paqui cries out, of the Spanish, "They are coming in their ships! They are coming faster than I can give birth!" She becomes the mother of the tribe – the Paqui tribe.

Later, deep in the forest, at the end of a long scene when all the patients are immersed, Conde uses his lighter to help them. In marches a therapist in a white coat, and confiscates the lighter. Resignedly, he says, "Now I know I am mad." (Speech is in Spanish; there are a few, helpful surtitles.)

One could analyse the meanings of *Yo Tengo un Tío en América* at length – its implications about Cataloniaand Spain are unmistakable – but what makes it so exceptional is its detailed inner life. Els Joglars are wonderful, rare performers. They catch all the absurdity of the patients, and never tug at your heart-strings. The ironic result is that we are far more moved by their plight than if they had played for sympathy.

This isn't one of those shows that claims to celebrate the human spirit with a load of monotonous over-acting. In *Yo Tengo* you see the human spirit the way it is – as a living mass of peculiar and interacting details – and you are amused, pained and enthralled.

Alastair Macaulay

At the Royal Lyceum Theatre until September 5

Cinema/Stephen Amidon

A thriller built on sand

WHITE SANDS **Roger Donaldson**
KNIGHT MOVES **Carl Schenkel**
THE POWER OF ONE **John Avildsen**
STRAIGHT OUT OF BROOKLYN **Matty Rich**
COUSIN BOBBY **Jonathan Demme**

WHITE SANDS is a thriller that will grip only those keen on deducing how a veteran director and strong cast could produce such a dud. Willem Dafoe is a small-town New Mexican sheriff who stumbles on a corpse clutching a brief-case full of money on his desert beat. He sets out to investigate the crime on his own – a rash decision that soon brings him into contact with rogue FBI agents, a lovely con woman (Mary Elizabeth Mastrantonio) and a shady arms dealer (Mickey Rourke). Dafoe soon finds himself both a suspect in the investigation and a target of the assassins.

Though the first few minutes suggest a good if conventional crime story, director Roger Donaldson and writer Daniel Pyne soon tangle matters in a forest of tenuous exposition and improbable plot twists. Worse still, gaping holes in the story are filled with vapid mumblings about CIA conspiracy and the 'military-industrial complex'. Dafoe's laconic style allows him to keep his dignity throughout, though Mastrantonio's bemused mugging is out of place, and Rourke looks as though his bag of tricks is just about empty.

Another thriller that fails dismally to thrill is *Knight Moves*, a bloodlessly schematic tale of chess and serial killing. Enigmatic Grand Master (Christopher Lambert, woefully miscast) is forced to match wits with a maniac who is carving up young women on the Washington State island where a chess tournament is in progress. The police suspect Lambert may be committing the crimes, so they enlist a young psychologist (Diane Lane) to probe his psyche. Her examinations move from sofa to sauna to bed.

Writer Brad Mirman and director Carl Schenkel are so intent on carrying through their strained metaphors of criminal gamesmanship that they sacrifice character to bad dialogue and implausible motivation. People move through the film with the stiff determinism of chess pieces. Lane's character is particularly absurd, a supposedly astute psychologist, without apparent thought or scruple, jumps into bed with a man suspected of slaughtering young women.

The Power of One is a standard coming-of-age film that strives unsuccessfully for importance by setting itself in 1940s South Africa. It tells the story of P.K. (Stephen Dorff), a young white orphan who is transformed by events from a bed-wetting schoolboy into a champion boxer and anti-apartheid activist.

After his father is run over by an elephant, our hero is sent to an Afrikaner boarding school where his English ancestry makes him the subject of horrific bullying. He spends most of his time at the local prison, where he is taught to box by an wily old inmate (Morgan Freeman). Then it's off to a posh college, where he falls in love with the daughter of a racist minister. The story ends with him forgoing a place at Oxford in order to teach English in the townships.

The film could have conceivably worked as a crudely energetic boy's tale, had its makers not tried to pack it with a political message. But by setting it in South Africa, director John Avildsen, who brought us *Rocky* and *The Karate Kid*, dissipates whatever power his story may have possessed.

A far more credible depiction of the black experience can be seen in *Straight Out of Brooklyn*, the first effort by 19 year old writer/director Matty Rich. The film portrays a family on New York City's notorious Red Hook housing estate. The father, Ray (George T. Odom), is an embittered service station attendant who drinks to drown his sorrows, leading him to batter his long-suffering wife. Ray's son Dennis (Lawrence Gilliard Jr) is a bright young man who, fearing a future as bleak as his father's, decides to help the family move straight out of the ghetto by robbing a local drug dealer.

Although the film is filled with honest energy and some impressive moments, Rich is too inexperienced to bring these elements together in a compelling framework. He fails to develop the film's key father-son relationship, so that we wonder why Dennis would remain devoted to a brutal wife-beater.

Another eyewitness account of New York's desolate ghettos comes in Jonathan Demme's *Cousin Bobby*. Demme's last undertaking, *The Silence of the Lambs*, was one of the great critical and commercial successes of recent cinematic history. So what does he do for his next project? – a low-budget 16mm documentary about his cousin, a crusading priest in Harlem.

Father Robert Castle is a Sixties relic, a man who once gave Black Panthers sanctuary in his church and cannot speak more than three sentences without referring to institutional racism or social justice. Nowadays, he's fighting the good fight in upper Manhattan, trying to stem the tide of drugs and crime that is destroying whole neighbourhoods, organising everything peace marches to a campaign to fill holes in the road.

The film seems more a series snapshots of a life than an overall picture. Demme fails to get to the heart of the man. There is also a nagging sense of futility and melancholy about the reverend's undertakings – cousin Bobby's only real accomplishment in the film is to get a pot-hole filled. It proves a fitting metaphor for a man who once fought to change the world, but now must content himself with plugging a few gaps.

Dark deeds in the desert: Willem Dafoe in White Sands

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Muziektheater 20.00 Hartmut Haenchen conducts Stephen Pimlott's Bregenz Festival production of Samson et Dalila, with William Cochran and Catherine Keen. Runs till Sep 26, with next performance on Sun afternoon (6255 455). Sat in Concertgebouw: Edo de Waart conducts Mahler's Third Symphony (6718 345)

■ BERLIN

A new production of Goethe's Clavigo opens tonight at the Schiller Theater (3126 505). Dietmar Pflegerl's acclaimed production of Jean Cocteau's La Voix Humaine (The Human Voice) is revived tomorrow at the Schlosspark Theater, with Sabine Sinjen as the suicidal woman on the telephone to the lover who has jilted her (7931 515)

■ DRESDEN

Semperoper Colin Davis conducts Fidelio next Wed, plus three Staatskapelle concerts (Sep 13, 14, 15) featuring symphonies by Dvořák and Beethoven. The opera repertory also includes the Ponnelle production of Gluck's Orfeo (tonight and Mon), Lulu (tomorrow), La Cenerentola with Kathleen Kuhlmann (Sat and Tues), and Der Freischütz (Sun, Thurs and Sat). Felicity Lott and Ann Murray head the cast in Der Rosenkavalier on Sep 20 (4842 731)
Kulturpalast Michel Plasson conducts the Dresden Philharmonic Orchestra on Sat and Sun at 19.30. The programme includes Berlioz's Symphonie Fantastique and Beethoven's Fourth Piano Concerto, with Elisabeth Leonskaja (4866 306)

■ LEIPZIG

Gewandhaus 20.00 Kurt Masur conducts the Gewandhaus Orchestra in Beethoven's Violin Concerto (Frank-Peter Zimmermann) and Third Symphony, repeated tomorrow. Sun and Mon: David Geringas plays Dvořák's Cello Concerto (7132 280)

■ LONDON

THEATRE

● Amphibians: world premiere of a play by Billy Roche, set in Wexford against the background of a changing community. A Royal Shakespeare Company production directed by Michael Attenborough. Opens tonight (Barbican 071-638 8891).

● The Madras House: Harley Granville Barker's poignant comedy in a production enthusiastically received when it was premiered last week at the Edinburgh Festival. Till Oct 10 (Lyric Hammersmith 081-741 2311).

● Hamlet: Robert Sturua's production starring Alan Rickman and Geraldine McEwan runs from Sep 9 to Oct 10 but is already sold out. There will be some standby tickets available each day (Riverside Studios 081-748 3354).

● An Inspector Calls: J B Priestley's psychological thriller directed by Stephen Daldry. Starts previewing on Sat, Press night next Fri (National Theatre 071-928 2252).

● Six Degrees of Separation: Stockard Channing as the rich New Yorker transfigured by a black con-artist in John Guare's play (Comedy 071-867 1111).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ PRAGUE

CONCERTS

Tonight at 19.30 in the Basilica of St George, the Prague String Trio plays works by Stamitz and other Czech composers of the baroque era. On Sat at the Monastery of St Agnes, the Foerster Trio plays works by Beethoven, Tomasek and Smetana. Next Tues at Church of St Nicholas: Prague Male Choir presents a programme of choral works by Bruckner, Rakhmaninov, Janacek, Martinu and others (232 5858). Jiri Belohlavek conducts the Czech Philharmonic Orchestra in works by Martinu, Bartok and Brahms in the Dvořák Hall on Sep 17 and 18 (286 0111). The first concert of the Prague Symphony Orchestra's 1992-3 season is on Sep 22 (232 5858).

OPERA

The repertory of the Prague State Opera (formerly Smetana Theatre) includes Madama Butterfly, La traviata, Il trovatore and Rigoletto. Performances are daily except Mon (Wilsonova 4, tel 265353).

● For pre-booking and information about other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 260693, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

■ SEVILLE EXPO

● The music programme at the Maestranza Theatre over the coming week is dominated by the Vienna State Opera. Ruggero Raimondi stars in Don Giovanni tomorrow, Sun and next Tues. Claudio Abbado conducts the Vienna Philharmonic Orchestra in a Haydn and Mahler programme on Mon. The final opera company to visit Expo will be the Dresden State Opera, with three performances of Der fliegende Holländer starting on Sep 28. The remaining concert highlights include the Moscow Virtuosi under Vladimir Spivakov (Sep 10), a Stockhausen programme directed by the composer (Sep 16), the Royal Concertgebouw Orchestra (Sep 21 and 22) and the National Symphony Orchestra of Washington conducted by Mstislav Rostropovich (Oct 7 and 8).

● A Spanish musical entitled Azabache can be seen next week at the open-air Auditorium. The remaining programme at the Lope de Vega Theatre consists of Lope de Vega's La Nina de Plata (Sep 6-10), the Comédie Française production of Beaumarchais' Le Barbier de Seville (Sep 15-18) and Giorgio Strehler's Piccolo Teatro di Milano production of Goldoni's Le Baruffe Chiozzotei (Oct 7-11). A new George Tabori play, based on Dostoyevsky's The Brothers Karamazov, is to be premiered at the Central Theatre on Oct 9. The Palenque has a daily programme of Latin American music and dance.

● For further information, dial 0034 5 448 0404 from outside Spain, or 902 22192 in Spain.

■ STUTTGART

LUDWIGSBURG FESTIVAL

Joseph Kalichstein, Jaime Laredo and Sharon Robinson give a recital of piano trios tonight in the Ordenssaal. Sat: recital by violinist Mila Georgieva. Tues: Michala Petri flute recital. Next Thurs: I Salonisti. Next Fri: opening night of a week-long run of Stuttgart Ballet's Cranko production of Romeo and Juliet (7141-949610)

■ WARSAW

This year's Warsaw Autumn Contemporary Music Festival (Sep 18-27) includes three Stockhausen concerts directed by the composer. The Hilliard Ensemble will perform music by Arvo Pärt, and the Matrix Ensemble will present Michael Finnissy's Vaudeville. At the opening concert, the Polish National Philharmonic Orchestra and Chorus will perform Tristan Murail's Les Sept Paroles du Christ en Croix. The closing concert, including extracts from Ligeti's Le Grand Macabre, is conducted by Elgar Howarth (310607)

■ ZURICH

● Claus Peter Flor conducts tonight's concert by the Tonhalle Orchestra in Shostakovich's Ninth Symphony, Martinu's Oboe Concerto (Isaac Duarte) and Janacek's Sinfonietta. Sep 29 and 30: Georg Solti conducts Bruckner (206 3434)

● Edita Gruberova sings the title role in Lucia di Lammermoor tomorrow at the Opernhaus. Sat: Il barbiere di Siviglia. Sun: Rigoletto. Tues: Die Zauberflöte. The first new production of the season is Bellini's Il pirata on Sep 19 (262 0909)

● Peter Wood directs a new production of Shakespeare's A Midsummer Night's Dream at the Schauspielhaus, opening on Sep 17 (221 2283)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1830 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Thursday September 3 1992

The French referendum

IN HIS long and remarkable career, François Mitterrand can never have taken a gamble more important, or more daring, than the referendum on the Maastrich treaty. If the *"oui"* vote wins, and particularly if that victory is by a large margin, ratification will at least be relaunched, though the treaty will remain far from safe harbour. If it is to be *"non"*, the Maastricht treaty will have been sunk, with incalculable consequences for the future of Europe.

If the president's ambition was merely to discomfort his conservative opponents, it was a grievous fault and grievously does he – and France – seem likely to answer for it. But the referendum had a higher justification and a nobler purpose. The Maastricht treaty did, indeed, need to be reaffirmed by one of Europe's great nations if it was to regain the momentum lost when the Danes voted against it last June.

Such a reaffirmation may not now be forthcoming. Some might view that possible outcome as simply a sad result of Mr Mitterrand's hubris and the periodic French impulse towards regicide. But all of Europe's leaders would bear more responsibility for a *"non"* than that. The case that they needed to make was that the European Union would underpin prosperity and security in the new Europe. Unfortunately, perhaps unfairly, failures in the former Yugoslavia have identified the EC too closely with a lack of security. Equally, because of the ERM, many Europeans have come to associate the EC with deflation rather than prosperity.

Errors have been made, both outside the treaty and within the treaty itself. But the errors are not large enough to justify its downfall. The Maastricht treaty is the culmination of 40 years of European construction. It is certainly the culmination of 10 years of successful efforts to relaunch the EC and of four years of particularly intense discussion of economic and monetary union. Rejection by France, one of the two central pillars of the EC, would bring that forward march to an abrupt halt, for years, possibly forever. It could lead to a relapse into unbridled nationalism and even to disintegration of the EC.

In the short term, financial markets would be shaken. The ERM would come under still greater strain. Interest rates, both short and long term, would diverge and realignments might become inescapable. Those who put their trust in the prospects for Emu would have to reconsider their plans. Countries such as Italy and Spain, for example, which have made convergence on Emu the centrepiece of their macroeconomic policies, would find themselves adrift. Even the almost completed single market would look more doubtful.

Everything would have to be reconsidered: management of the relations of other European states with Germany, the EC's monetary regime, the prospects for enlargement and the EC's relations with the rest of the world. Worse, all these would have to be re-examined at a time of slow growth and more than just nascent xenophobia. The Maastricht treaty is flawed. But the alternative would surely be far worse.

This is why the referendum matters. It is why the FT intends to devote a special effort to covering it. It is also why this newspaper, in keeping with its traditional support for the integration of Europe, hopes the French will vote yes.

But it does so subject to two provisos. First, the EC should not proceed as if nothing had happened, even if the Maastricht treaty were ratified. The EC must be particularly cautious if the treaty receives no more than a small positive affirmation. Subsidiarity must become a living reality, not just a slogan. The convergence criteria will have to be implemented with tact and discretion. No timetable for convergence towards Emu must be allowed to override economic common sense. And, more immediately, if currency adjustments are required, so be it.

Second, the downfall of the Maastricht treaty, should that occur, must not be allowed to mark *finis* to all that Europe has achieved in the postwar era. The loss of this treaty would be a misfortune. To allow it to lead to the collapse of the EC or even to an outbreak of mutual recrimination and disorder would be worse than folly. The French referendum is inescapably important. But rejection does not have to be a disaster.

Exam standards

THE SCHOOL inspectors' verdict on this year's results for GCSEs – the main examination taken by 16-year-olds in England and Wales – is damning. Their report has "little confidence that standards are being maintained" and detects a decline since the GCSE was introduced in 1988. Last week's headlines trumpeted record pass rates with more than ever before at the higher grades. Now pupils, parents and employers are left wondering about the worth of devalued GCSE certificates.

Some had already warned that five successive years of improved results seemed too good to be true – especially the rise by more than a quarter in the numbers of grades A to C, which were supposed to be the equivalent of the old O-level pass. The inspectors' report therefore confirms what many teachers privately admit – that standards have slipped with the new exam.

Mr Patten, the education secretary, has announced an inquiry, with a view to changes for next year's exams. However, some of the problems identified by the inspectors are already being tackled. Able pupils can now take more demanding papers, following criticisms that the GCSE was insufficiently stretching. The top grade is to be split in two to give further incentives to the most able. And the amount of course work – which is harder to monitor – is to be restricted.

The most important objective for Mr Patten's inquiry must be to ensure that the four examining boards set exacting standards which are uniformly applied between subjects and between different groups of pupils. Only if it is clear just what sort of achievement is represented by a particular grade will employers and others be able to use GCSE results as a worthwhile yardstick.

The minister should, however, ignore those who want to restore the O-level exam for the brightest. The GCSE provides a single standard by which the achievements of 90 per cent of pupils can be measured – even if the measurement process needs improvement. Employers certainly do not want to return to O-levels, as this week's statement from the CBI makes clear.

Indeed, there is a case for a more broadly-based examination at 18, capable of testing a much higher proportion of school-leavers than the A-level exam. Essential to such a change would be confidence that the top grades of the new exam offered similar levels of achievement to the A-level "gold standard". That confidence will be hard to win unless the standards of the top GCSE grades are re-established.

Top pay rates

THE NEWS of a further moderation in the rate of pay increases awarded to – or taken by – the chairmen and other directors of most of Britain's largest companies is welcome, if not surprising in view of the effect which the recession is having on many bonuses. Only a few months ago, after years of mounting controversy over the rate of salary increases, directors of large companies were rightly attacked by the British Institute of Management, among many others, for taking unacceptably big rises.

There is some dispute about the average increase in the total remuneration of each company's highest paid director for the most recent financial year. One specialist remuneration consultancy reports it to be around 8 per cent and falling, while a different survey service calculates it to be only 2 per cent. What matters is that shareholders and employees should feel there is more equity between movements in directors' pay and those of the company's staff as a whole. The "performance pay" of directors also needs to be seen to be moving roughly in line with corporate performance – down as well as up.

The fact that this is now happening in more cases does not mean that the problem of excessive pay rises has somehow gone away. Nor does it lessen the need for a much tougher disclosure regime than proposed in the Cadbury Committee's code.

The regime should be similar to rules recently proposed by the US Securities and Exchange Commission. These would require the remuneration packages of the five highest paid directors to be disclosed, and divided into nine separate components, including stock options.

In the UK only a tenth of companies disclose the overall amount paid to directors in bonuses, and just 3 per cent show how these are calculated. The case for official action is obvious.

Japanese carmakers are stepping up their advance into Europe and threatening the domestic industry, writes **Kevin Done**

Trickle swells to a flood

The first engine is due to roll off the assembly line at Toyota's £140m engine plant at Deeside, north Wales, next week, heralding the next wave of a formidable assault by Japanese carmakers on the European car industry.

The array of Japanese vehicle plants and new models poised to enter production in the UK, Hungary, Italy and Spain was planned in the late 1980s, when car demand in west Europe was accelerating powerfully, with record sales every year from 1985.

The extra capacity from Japan is about to hit the market, however, when the European appetite for buying new cars is succumbing to economic retrenchment. Sales are weakening in important markets, while some, such as the UK, remain stubbornly mired in recession.

Now Europe's indigenous carmakers – busy building plants of their own and already wringing much higher output from existing facilities as part of a determined drive for greater productivity – are confronting the spectre of rapidly growing overcapacity.

Japanese vehicle production capacity in Europe is expected to exceed 1.2m a year by the end of the 1990s. European car production totalled 12.7m last year with the Volkswagen group accounting for 2.44m and Renault, the smallest of the big six volume carmakers, for 1.55m. Japanese carmakers captured 12.3 per cent of west European new car sales of 13.49m last year and this is forecast to rise to between 16 and 20 per cent by the end of the decade.

The battle with the Japanese carmakers is about to be joined in earnest by Honda and Toyota, who start up their first European car plants during the final three months of the year. Both are located in the UK, which the more staunchly protectionist European auto industry leaders such as Mr Jacques Calvet, chief executive of Peugeot, the French carmaker, have likened to "a Japanese aircraft carrier just off the coast of Europe".

Toyota and Honda are developing a total capacity to produce 300,000 cars a year by the mid-1990s at the UK plants, and the figure could easily double by the end of the decade.

The UK is not the only Japanese springboard into Europe. At Esztergom, 40km north of Budapest, the first Suzuki Swifts are also set to leave the line of Magyar Suzuki's more modest assembly plant this autumn, while in northern Italy, Daihatsu will begin production by the end of the year of small vans and pick-ups at its joint venture with Piaggio.

Back in Britain, Nissan, which pioneered the route for the Japanese motor industry into local car production in Europe during the mid-1980s, is about to launch its second UK-built car range.

The Toyota, Honda and Suzuki plants may start slowly, but the Nissan example shows how fast the trickle will become a flood. Japan's second largest automaker began car production modestly enough in Europe in 1986, but it is now pulling out all the stops to stay a jump ahead of its Japanese rivals.

Output of 125,000 Primera large family cars in 1991 is planned to rise to 175,000 this year as Nissan adds the new range. Production is planned to surge to 270,000 in 1993 as the plant rapidly approaches its presently announced capacity of 300,000 cars a year, and the company has already indicated its ambition of reaching 400,000 cars a year in the UK by 2000.

The Japanese motor industry's drive into Europe

While it is Nissan's growing UK operations that claim much of the limelight, the company is also investing heavily in Nissan Motor Iberica, the Spanish commercial vehicle maker, in which it acquired majority control a decade ago. From 1990 to 1995 it is putting £600m into Spain. This month it is starting European production in Barcelona of its new Serena multipurpose vehicle – rival vehicles planned by Volkswagen, Ford, Fiat and Peugeot are still a couple of years away from launch – while in the spring the company will roll out a new-generation four-wheel-drive vehicle.

As a sign of this changing order in Europe, Nissan will supply part of its Spanish output of the four-wheel-drive vehicle to Ford for sale in Europe under the Ford badge.

The link between the two in Spain shows how quickly the arrival of Japanese vehicle makers in Europe is set to move on to a more sophisticated plane, as the world's automakers further refine their global square dance of competing in some regions of the world, and linking arms in others.

Rapidly mounting research and development costs are the impetus behind new alliances, and even the industry giants are being forced to find partners. Volkswagen of Germany is poised to finalise a deal with Suzuki for the production of a range of small cars in Spain.

The Japanese carmaker, a leading minicar producer in its domestic market, will engineer the new cars for production at the Barcelona plant of Seat, VW's Spanish subsidiary. It will replace the outdated Seat Marbella. Output is expected to start in 1995, with a target volume of 150,000 cars a year.

While protectionist-minded volume carmakers in Europe might have preferred a comfortable existence behind the import barriers, life in the global auto industry is no longer so simple.

The Japanese vehicle makers have set up their own local plants inside the barriers. At the same time, less protectionist European producers are scrambling to gain their own Japanese links to win some competitive advantage, or to help overcome earlier failures.

While VW studies its link with Suzuki, Rover, formerly British Leyland, has fallen gratefully into the arms of Honda, and Volvo, the ailing Swedish carmaker, has sought refuge for its medium-sized cars with Mitsubishi Motors in a joint venture in the Netherlands.

Honda, in addition to its own UK car and engine plant, also holds a 20 per cent equity stake in Rover's vehicle operations, and Honda technology essentially underpins all Rover's new cars launched since the mid-1980s.

Volvo has brought Mitsubishi in as a joint-venture partner at its Dutch plant, where a new range of cars – badged both Volvo and Mitsubishi, but mainly engineered by the Japanese carmaker – will emerge in the mid-1990s.

The deals may vary, but the driving forces for the Europeans are the same: the imperative to improve production technology and create more cost-effective new products.

Waking up to their competitive deficiencies, European carmakers have been engaged in an intensive campaign of so-called "benchmarking" to measure themselves against the world's best standards – and then to try to close the gap. Five years ago they had to look to Japan for the standards, but Japanese carmakers' global expansion means that the competition has now arrived on their own doorstep.

When the Japanese assault on Europe was first planned, the European motor industry focused on the fear that the Japanese would build a series of "screwdriver" plants in Europe with minimal local content.

The fear was naive. In the event Japanese plans are proving much more ambitious and their roots in Europe will go much deeper. They are in the process of constructing a top-to-bottom manufacturing system, and they are already meeting UK requirements for 80 per cent local European Community content.

Even as the concrete is drying at the assembly plants, the leading Japanese producers are also pressing ahead with the establishment of research and development facilities in Europe, where they will be able to engineer locally some future models exclusively for Europe, as well as draw increasingly on local European component suppliers.

The Japanese share of the west European new car market ranged from 2.7 per cent in Italy to 14.8 per cent in Germany and 45.2 per cent in Ireland. The overall share is now set to rise rapidly through the 1990s as:

- remaining barriers to direct imports from Japan are eased and then removed,
- local Japanese production capacity in Europe is expanded, and
- new Japanese supply sources for Europe are developed in North America, Asia and Australia.

The pattern is complex, but already Honda and Toyota are shipping cars to Europe from their US plants, while Mitsubishi is about to start exporting cars from Australia to Europe. Maruti, the Indian carmaker in which Suzuki holds 40 per cent, is carving out a niche in southern Europe with a car that is a clone of the Suzuki Alto. Proton, the Malaysian national carmaker, is already claiming almost 1 per cent of the UK market with cars based on old Mitsubishi technology.

Japanese carmakers' finances may be weakening, but the assault on Europe can only be slowed marginally. It will not be reversed.

The model for Europe is already evident in North America. Following investment of about $7.5bn in assembly plants in North America in the 1980s – eight in the US and three in Canada – the Japanese transplants' total car and light truck production capacity is planned to reach some 2.7m vehicles a year by 1993-94.

According to Professor Dan Jones and Mr Jim Womack, co-authors of the ground-breaking auto industry study, The Machine that Changed the World, "nothing like it has ever occurred in industrial history.

"In effect between 1982 and 1992 the Japanese will have built in the US Mid-West an auto industry larger than that of Britain or Italy or Spain and almost the size of the French industry. By the late 1990s the Japanese companies will account for at least a third of North American automobile production capacity – perhaps much more – and have the ability to design and manufacture entire vehicles in a wholly foreign culture 7,000 miles from their origins."

A similar description could well apply to Europe in the year 2002.

BOOK REVIEW

Good ol' boy who made a bundle

MADE IN AMERICA: MY STORY
By Sam Walton
Doubleday $22.50. 269 pages

Being an American folk hero is a tricky assignment, as Ross Perot found out. The problem is that the great American public likes its boot-strap entrepreneurs to be very rich and very upright. In a country where business practices are not overly genteel, this is a tough combination to achieve. A vast media circus, meanwhile, is quick to expose any flaws.

Sam Walton, founder of the Wal-Mart chain of discount supermarkets who died of cancer in April, negotiated these pitfalls much better than most. When, in 1985, Forbes magazine declared him America's richest entrepreneur, the paparazzi descended on the obscure corner of Arkansas, mainly occupied by chicken farmers, where Walton made his home. What they found was a happily married, much-liked billionaire who enjoyed quail hunting, breakfasted at the local Holiday Inn, and drove a battered pick-up truck, minus two hub-caps. Folksy was an understatement.

Since then, some aspects of Wal-Mart's business – its anti-union policies, the impact of its $40bn annual sales on hundreds of Mom-and-Pop shops – have been subject to critical scrutiny. So, to an extent, have the less wholesome adventures of the four Walton children. But no one has ever been able to make Sam himself look bad. The worst that has been said is that he was rather dull.

Walton is not about to dash anyone's illusions. Readers will either find his autobiography lashed with "good ol'" common-sense and a lot of harmless, if charming, anecdotes. Or they will find it dreary and downbeat. Walton makes no excuses: "I realise this may sound boring to most you," he writes at one stage, "but one of my best items ever was a mattress pad called a Bedmate. . . ."

A few snippets are more revealing about the character. There cannot be many billionaires who admit that they "never learned handwriting too well" – and have the guts to include a photograph which demonstrates the point.

Meanwhile, the competitive energy which Sam Walton applied to his business is inescapable. In one of many contributions from friends and family, Don Soderquist, Wal-Mart's chief operating officer, tells of finding Sam one Saturday morning on his hand and knees at the local Kmart store, analysing his rival's stock. And his wife, in a casual aside, notes that when the couple was on holiday in Italy their luggage vanished while her husband was off on a similar scouting mission.

The worst thing ever said about folksy billionaire Sam Walton is that he was rather dull

But it is David Glass, Wal-Mart's current chief executive, who perhaps captures the entrepreneurial Walton spirit best. Explaining the annual contest in which Wal-Mart executives choose one "volume producing item" to promote, he recalls the time Sam (who usually won) selected minnow buckets for carrying bait. Glass was more happily teamed with apple juice. "So I would go down to the stores, and get them to take that minnow bucket . . . put ice in it, ice down the juice and give away samples out of his minnow bucket. I particularly did it in stores I knew [Sam] was going to visit. It drove him crazy, and he got off that minnow bucket pretty quick. . . ."

But the reader can't help feeling that the cozy yarns tell only half the truth. Sam Walton was a salesman to the core, and seems to have packaged himself with all the skill that he once applied to selling a gooey southern sweet called Moon Pies.

For the most part, this makes for an engaging, if one-dimensional, portrait. Occasionally, it just grates. "I had bought a bank in Bentonville, for about about $300,000," Walton remarks, for example, "just a little old bank with only about $3.5m in deposits. But it helped me learn a lot about financing things." Oh, come on Sam, is that the *whole* story?

The real truth, one suspects, comes right at the end of the book – when Walton admits that "if I hadn't gotten sick, I doubt I would have written this book". Given the pleadings of publishers – Doubleday paid about $4m for the manuscript – and a rather natural desire to have a final say, he can hardly be blamed for agreeing to write it. But these are unlikely to be circumstances which make for the most critical self-analysis. At the end of the day, Sam Walton's heritage is in the shopping malls, not the bookstores.

Nikki Tait

Nothing will come of nothing: think again

Edward Balls argues that the British government's target of zero inflation within the ERM is undesirable and unattainable

Britain's membership of the European exchange rate mechanism at a sterling parity of DM2.95 looks increasingly threatened. The prime minister's commitment to a target of zero inflation is supposed to make this policy more secure. In fact, it makes it look less credible.

Mr John Major has rightly identified Britain's inflationary psychology as a root cause of the current economic malaise. The government's priority is to avoid a repeat of the boom-bust cycles that have plagued the UK for decades.

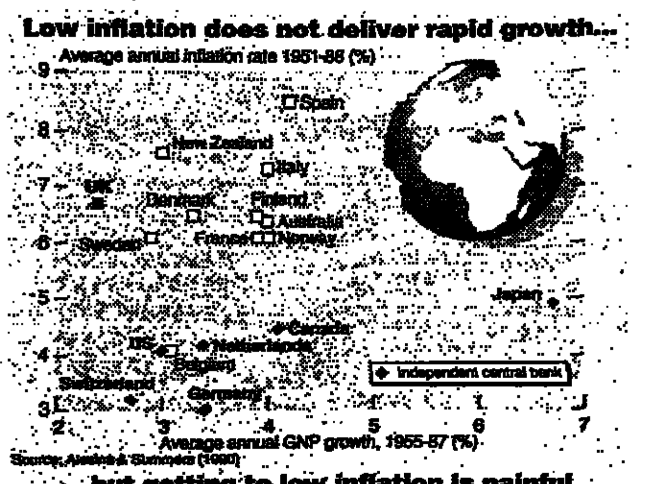
Yet the new policy of pursuing zero inflation to break this cycle through high interest rates within the ERM will not solve the underlying inflationary problem. It is merely compounding the damage caused by the current recession.

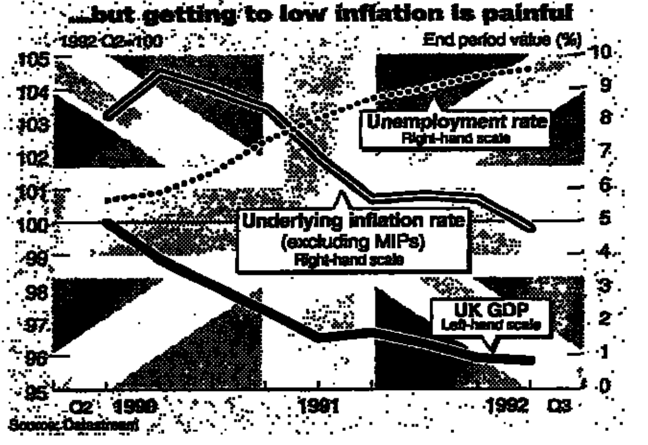
The failure of the economy to grow results in large part from a series of errors in monetary management since the 1960s. As a result, repeated periods of high inflation have encouraged consumers to borrow excessively to buy houses and consumer durables. The subsequent collapse in house prices has left them burdened with debts which they are struggling to service at current high interest rates.

Even if consumers were not burdened by debt, the case for pursuing zero inflation through persistently high interest rates would be weak. Even the most successful low inflation countries such as Germany target an inflation rate of 2-3 per cent. Those countries which have attempted to achieve that target, most recently New Zealand and Canada, have paid a high price in lost output in pursuit of a goal which has remained elusive.

Now is a particularly bad time for the UK to pursue zero inflation. Britain needs a period of low or even negative real interest rates to ease the pressure on indebted consumers. But the fall in underlying inflation over the past year, combined with high nominal interest rates, has already pushed short-term real interest rates to their highest level at this point in the economic cycle since the 1930s. The nearer the rate of inflation comes to zero, the higher real interest rates will become. This can only compound the pain in the housing market and delay a consumer-led recovery.

Merely sticking to the current exchange rate target within the ERM and announcing a target of zero inflation is the wrong way to secure the low and stable inflation that Britain needs. The costs are prohibitively high and the gains may well prove illusory.





First the pain. The cost of reaching zero inflation in the UK would be enormous. Despite the government's labour market reforms in the 1980s there has been no reduction in the amount of unemployment required to reduce inflation.

Estimates from 1980-81 suggest that every 1 percentage point fall in inflation required 2.3 percentage points more unemployment over one year, much higher than in most other OECD countries. Reducing the annual rate of underlying price inflation from its current 4.4 per cent to zero would, according to this relationship, require an extra 10 percentage points of unemployment – either 3m more unemployed in 1993 or an extra 1m more unemployed a year from now until the middle of 1995.

Yet, unless this inflation rate could be secured once it had been attained, such sacrifices would have been in vain. The government's last attempt to conquer inflation in the early 1980s, and the subsequent failure of employers and workers to control Britain's problem of excessive real wage growth, bequeathed a manufacturing sector that is leaner and more competitive, but too small to finance Britain's desire for imported goods. It also bequeathed a large and growing pool of unskilled, unemployed and increasingly unemployable people.

Are the mistakes of the 1980s about to be repeated? The structural problems which underlie inflationary tendencies – inefficiencies in the housing and labour markets and the flawed way in which UK monetary policy has been made – may currently be suppressed. But they still exist. The government's failure to tackle the underlying causes of the inflation of the past two decades means that any recovery risks being derailed by inflation once more.

Even if consumers were not burdened by debt, the case for pursuing zero inflation would be weak

The government says it wants low inflation, but it also wants house prices to start rising and has been unwilling to eliminate the main tax incentives that favour housing investment. The labour market also remains as inflation-prone as 10 years ago. In the late-1980s, despite record unemployment rates, price inflation was once again fuelled by an acceleration of wage increases. Earnings inflation has started to fall only after two years of recession and rising job losses.

Despite the fall in pay settlements, it may take a decade of slow growth and high unemployment to work off the lost competitiveness of the past 10 years, at least at the current exchange rate within the ERM. Real wage growth in the 1980s outstripped that in all of the UK's main competitors, despite the government's labour market reforms. The signs of an overvalued real exchange rate are clear: manufacturing profitability, even after the productivity gains of the past decade, remains low by international standards. Britain is left with a trade deficit at the bottom of the recession.

Most worrying, politicians remain in control of Britain's monetary policy. This is still so despite the international evidence that independent central banks have delivered lower inflation rates over the past 40 years. The link running from low inflation to higher or more stable economic growth does not exist, as the chart shows. But if a government is serious about delivering low inflation, it will cede monetary policy autonomy to an independent institution.

Yet Mr Major, like his predecessors, has been unwilling to give up the levers of monetary power to the Bank of England. He has been willing to allow the independent Bundesbank to set UK interest rates on his behalf. But the credibility of this policy rests solely on the government's willingness to remain in the ERM and resist a devaluation.

History suggests that devaluation is the most likely escape route from slow growth and rising trade and fiscal deficits. There is no good reason why the markets should trust Mr Major more than any other politician of the postwar period. Indeed, the costs of attaining zero inflation make the policy even less credible than in the past.

The markets know that the government will not be able to endure high interest rates, sluggish growth and rising unemployment for years rather than months. But that is the implication of the government's current policy. The markets also know that the result of a devaluation, without deeper structural reform, is likely to be renewed inflation. The commitment to zero inflation is either disingenuous or will prove so destabilising as to be unsustainable.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Back to the basics on education

From Mr Keith Tribe.

Sir, Andrew Adonis notes in "Busier groves of academe" (August 28) that by the year 2000 it is anticipated that one in three 18-year-olds will enter higher education, as against one in seven in the 1980s. Perhaps we might go back to basics and ask the following questions:

1) What evidence is there that a shortage of graduates does and will exist in specific areas of the UK labour market?

2) Is the expansion of higher education an appropriate response to the existing skills problem in British industry, identified by the recent research carried out at the National Institute?

3) What are the assumptions concerning the necessary alterations in existing patterns of household savings, investment and consumption that will fund students through the system in the later 1990s? What will be the eventual impact of current readjustments in the housing market?

Keith Tribe,
Keele University,
Staffordshire ST5 5BG

Thrift and interest rates

From L Kreitzman.

Sir, A historical analysis which goes back further than 1974 ("Saving days are here again", August 27) suggests a consumer recovery may depend on understanding public attitudes and beliefs as much as economic prospects. Over 40 years ago, J Gordon Lippincott said: "The major problem is one of stimulating the urge to buy. It must be nurtured even though it is contrary to one of the oldest inbred laws of humanity – the law of thrift – of providing for the unknown and oft-feared day of scarcity." He succeeded. Whether present day marketers can do so depends on more than real interest rates.

L Kreitzman,
The Henley Centre,
2/4 Tudor Street,
London EC4Y 0AA

Insurmountable cost barrier faced by rail freight operators

From Dr Jörg Schimmelpfennig.

Sir, Richard Tomkins ("How freight hopes have finally been derailed", September 1) can only be congratulated for highlighting the plight of British Rail and other would-be rail freight operators. As long as rail freight rates have to cover full commercial costs, ie have to pay for rail freight infrastructure as well (or are even required to earn a return on railway assets), while road users are offered unlimited access to their respective transport system in exchange for a negligible annual licence fee, an insurmountable barrier to entry remains in place. On top of this comes the complete disregard for external – ie, social – costs, such as congestion or pollution costs.

The political unwillingness to level the playing field not only prevents a commercially viable rail freight industry. By virtually subsidising road transport the government hinders competition, increases economic inefficiency and promotes the ecologically most damaging mode of transport.

Jörg Schimmelpfennig,
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Germany

Nuclear Electric making fossil generators nervous

From Dr Robert Hawley.

Sir, Lex (September 2) was right on power prices and the real costs of electricity. The nuclear levy question is certainly a diversion from the larger issues – but it's a diversion which has attracted both PowerGen and Offer over the last couple of days, with both calling simplistically for a cut in our levy rate.

Nuclear Electric's response to remarks by Prof Stephen Littlechild, director-general of Offer, at the Energy Intensive Users' Group is quite clear. The following is an extract of a letter I have sent to him.

"You state that in a competitive market customers would not have to bear 'the higher costs of nuclear electricity'. This simple statement is fanciful, and fails to address policy issues relating to the way the privatisation was structured, the real costs of other fuels and the other subsidies hidden in the market. You also avoid the issue of who will bear the costs of nuclear provisions if the customer does not. I find it strange that you propose to go on record as suggesting that customers should not meet the full costs of the electricity they consume."

Offer, of course, was merely responding to pressure brought to bear by others. Which brings us back to PowerGen. Ed Wallis is very free with advice – and Nuclear Electric's money – and may even have reaped some short-term PR kudos as a result, by claiming to have devised a mechanism which would even support British coal.

But is this not the same Ed Wallis who is investing almost £40m on Merseyside, building a facility to import 5m tonnes of foreign coal a year, at the kind of prices which would allow him to offer cheap electricity to the major energy users?

The truth is that Nuclear Electric is now enjoying record output and market share, with costs consistently coming down, and the fossil generators are becoming more nervous. Our financial arrangements are transparent to all – unlike theirs. I'm delighted that we have been singled out for such special attention – it is a commercial compliment to our success.

Robert Hawley,
chief executive,
Nuclear Electric,
Barnett Way, Barnwood,
Gloucester GL4 7RS

Unrealistic employment prospects

From R J Marshall.

Sir, "Escape from the Black Hole" (August 29) gave useful advice to the newly redundant executive.

The prospect of re-employment within five months and at higher salary levels held out by Mr Bell is, however, quite incongruous, particularly when applied to senior executives from the City. I, and others, who have used outplacement services have a much slower tale of re-employment. I created my own business 12 months after leaving my former employer and it will be some time before it affords an assured future.

Outplacement, particularly the use of networking, had a valuable part to play in my own re-establishment but does its reputation little good if it holds out quite unrealistic prospects to those that use its services.

R J Marshall,
18 Wayneflete Tower Avenue,
Esher,
Surrey KT10 8QG

Bureaucracy of quality

From R A Hudson.

Sir, One aspect of quality schemes (Letters, August 25) needs a great deal of attention – they appear to be spawning their own bureaucracy.

My company achieved BS5750 some years ago and has benefited as part of our overall approach to customer service. However, a disproportionate amount of our quality team's time is spent filling in inquiries from other quality departments requiring copious and often irrelevant information.

Efforts should be intensified to promote BS5750 certification as sufficient evidence of satisfactory standing for most commercial purposes, leaving only specific technical inquiries relating to the products involved to be pursued.

R A Hudson,
Haunt Electronics,
Firswood Road,
Garretts Green,
Birmingham B33 0TQ

OBSERVER

AMP points the way

■ If Britain can hire Aussie Bill McLennan to run its Central Statistical Office, it is only right that Australia can pinch a top British fund manager to show it how to invest.

Even so, putting the Postel's Andrew Threadgold in charge of all the Australian and overseas investment operations of AMP, Australia's equivalent of the Prudential, is a surprisingly adventurous move. The 48-year-old Threadgold's sole previous connection with Australia was a four-year stint in Melbourne while he earned a doctorate.

Admittedly, Threadgold is not a typical life company fund manager. He worked at the International Wool Secretariat and the Bank of England before joining Postel, where he's responsible for £19bn of funds. That said, giving him charge of AMP's £25bn must have put quite a few Australian fund managers' noses out of joint. AMP may have outgrown Australia and be keen to centralise its international fund management in London, but 60 per cent of its money is still in Australia, and Threadgold will be in London.

It will be interesting to see whether Threadgold, an outspoken advocate of shareholder activism, will continue to shake the corporate governance tree. There are plenty of easy targets in Australia.

Achtung

■ If only he hadn't hit a German. Werner Niefer, retiring management board chairman of Mercedes-Benz AG, has been fined DM80,000 for knocking down a German tourist while driving one of his buses in Rome a couple of years ago.

Stuttgart judge Hubertus Pauli found that Niefer – who took the wheel after entertaining some of Mercedes's Italian staff at a restaurant outside Rome – should have stopped before rounding a blind corner where the accident happened.

A Mercedes spokesman said the wounded German tourist had not filed a civil suit, but he expected this would follow. Mercedes said that Niefer welcomed the completion of the two-year investigation and would accept the fine.

Debatable

■ Heads of state are worth 10times as much as journalists. This little nugget is one of the more interesting statistics to emerge from the Non-Aligned Movement conference in Jakarta. Apparently, the Indonesian government has taken out a life and medical insurance policy which provides hacks attending the conference with maximum cover of $11,500. For heads of state the figure is $114,000.

Back on top

■ With the appointment yesterday of Jacob Palmstierna as chairman of Nordbanken, Sweden's state-controlled bank, it looks as though his rehabilitation in Swedish banking society is complete.

Palmstierna spent 30 years at Sweden's top commercial bank, the prestigious Skandinaviska Enskilda Banken. But his spell in the chief executive's seat was embarrassingly brief – both for him and S-E Banken. Only a few months after his appointment, he was investigated for tax fraud – a heinous crime in the eyes of the law-abiding Swedes – and decided to step down while the investigations were under way. In the end he was cleared of any irregularities but he did not get his old job back.

Since then, he has been vice-chairman at Nordbanken, number two to Bjorn Wahlstrom, an industrialist with no banking experience who was brought in to shake up the bank. Wahlstrom did well turning round SSAB, the formerly state-controlled steel company, but has not been a great success at Nordbanken. With the benefit of hindsight it might have been better to have given Palmstierna the chairman's job in the first place.

Food for thought

■ David James, fast becoming the banks' favourite Mr Fixit, has not wasted any time strengthening the non-executive members of the board of his latest client, Lep, the troubled freight forwarder.

H Wynne Denman is an old Cayzer hand, and J Brian Smith, an ex-Rank Organisation group managing director, has worked on other David James rescue missions. Both men are in their 60s and James says that "their skills, experience and advice will bring added strength" to the board of Lep and its subsidiaries.

But then one could have said the same about Lep's previous non-executive directors. Bill Govett, a former chairman of John Govett & Co and a director of Legal & General, 3i and the National Coal Board pension fund, was a member of the board for eight years and his fund management firm was instrumental in bringing in John Read, the previous chairman, who is now suing the company for £1.7m for loss of his job.

Peter Grant, chairman of Sun Life and a former deputy chairman of Lazard Brothers, was a director for four years and Philip Hampton, an ex-Lazards merchant banker who is now British Steel's finance director, sat on the board for two years. Lazards was Lep's financial adviser until last year and both Grant and Hampton had worked on Lep deals and should have known the company well.

This is not to say that they are not extremely effective at their main jobs. It is just another reminder that non-executive jobs can test even the most distinguished executives.

Objection

■ Pity the poor birth announcements clerk who took down the pre-paid insertion in The Times: Rexshun – On August 31st in Chicago, to Harry and Dolly (née Onboat), a son, Hugh Gee.

Jeremy Reed, The Times's commercial director, says that the £22 announcement "came in just before the close of play" yesterday and somehow slipped through the net.

FINANCIAL TIMES
Thursday September 3 1992

Markets look in vain for concerted support operations by central bank

Dollar repeats D-Mark losses

By Emma Tucker and Peter John in London

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THE DOLLAR yesterday hit a record low against the D-Mark for the second day running, as pressure in the European *exchange rate mechanism* showed tentative signs of easing.

Sterling clawed back some of its recent losses against the D-Mark yesterday. It was unaffected by official figures suggesting that the Bank of England intervened heavily to bolster sterling's position in the ERM last month.

The pound gained half a pfennig to close in London at DM2.7875; still less than one pfennig above its ERM floor of DM2.7780. Against the dollar, sterling climbed to \$2.0040, as compared with a previous close of \$1.9970.

Against the D-Mark, the dollar closed at DM1.3905, down less than half a pfennig. In New York trading, the pound held steady against the D-Mark, but dropped back slightly to \$1.9993 against the dollar. There was also little change in the dollar/D-Mark rate, which was quoted at DM1.3930 last night.

Yesterday there was no clear sign on the currency markets of concerted central bank action to keep the dollar from falling to new lows. However, many traders expect the US Federal Reserve and other central banks to step in soon, to repeat their support operations of recent weeks to buy dollars for D-Marks and put a firm floor underneath the currency.

Mr Earl Johnson, vice-president at Harris Trust and Savings, a US financial group, said: "We're off the lows and that is about the only good thing that can be said about the dollar."

The lira, which in recent weeks has come under severe pressure *in the ERM, was yesterday* unchanged against the D-Mark. It closed last night in London at L764.6 to the D-Mark, above its ERM floor of L765.4.

In London, the Treasury announced that Britain's underlying gold and currency reserves dropped by \$1.28bn in August, reflecting heavy intervention by the Bank to temper the currency's fall. The drop, which compares with a fall of only \$86m in July, reduced reserves at the end of August to \$44.4bn, compared with \$45.7bn in July.

The steadier pound gave some support to UK equities and government bonds. The FT-SE 100 index of leading shares closed up 14.6 at 2,313.0, while gilts gained up to 1 point.

Expectations that Britain may be able to stave off a rise in base rates, now *10* per cent, was reflected on the UK money market. The important three-month interbank rate, which indicates market perceptions about the *future level of base rates, eased* from about 10⅝ per cent to about 10¼ per cent.

Reduced currency turbulence also buoyed the Paris bourse, where share prices closed up 2 per cent.

Investors elsewhere in Europe, however, indicated their continued nervousness that the strong D-Mark may require increases in interest rates in some European countries, at a time when growth prospects seem poor.

The stock markets in Frankfurt and Milan fell by 0.8 per cent and 2.5 per cent respectively, reflecting these fears.

The UK Treasury said the drop in reserves demonstrated the government's "resolve" to protect the pound.

Heinrich Weiss: resignation linked to Kohl's policies on industry

Bonn's policies undermining business, warns industry chief

By Christopher Parkes in Frankfurt

MR Helmut Kohl, the German chancellor, has lost contact with the German business community, and current government policies will sooner or later ruin the econ*omy, a prominent industry leader* said yesterday.

The resignation this week of Mr Heinrich Weiss, president of BDI, the federation of German industry, showed the gravity of this "disastrous development", said Mr Dieter Härthe, chief executive of the country's federation of medium-sized businesses, BVMW.

Instead of working with industry to develop sound financial and economic policies, the government produced a "constant flow of half-baked ideas".

Mr Kohl thought Germany's Mittelstand of around 300,000 medium-sized companies was good only for paying taxes and listening to his sermons, Mr Härthe added.

The collective experience and *knowledge of the BVMW's* membership was not being used. "The government keeps on demanding better performance [from industry] without creating the neces*sary policy framework. That in* the end will break the economy's back," he said.

Mr Härthe's comments reflect widespread nervousness about the economic downturn and the government's apparent paralysis, and indicates how far Mr Kohl's stock has fallen in business circles. His popularity among the electorate, especially in eastern Germany, is also in rapid decline.

The chancellor's lack of interest in business is well-documented, but it has led, perhaps inevitably, to his being singled *out as the main target for indus*try's venom as the economy has weakened.

The Bundesbank, the German central bank, is also understood to be concerned about the lack of co-ordination in Bonn's fiscal and economic policies.

A recent flow of ideas for boosting the economy, including proposals for tax changes, road tolls and suggestions of forcing non-in*vesting high earners to buy gov*ernment bonds to support the east, has compounded the impression that Bonn is uncertain of how to conduct its economic policy.

Mr Weiss, meanwhile, said in a newspaper interview yesterday that the cause of his resignation was an internal dispute within the BDI federation. As its leader, he had always refrained from criticising Mr Kohl.

During his 20 months in office, the federation had maintained good contacts with "ministers *important to us", Mr Weiss said.* These included Mr Jürgen Möllemann in economics and Mr Theo Waigel in finance.

Brussels and UK near deal on border issue

By Lionel Barber in Brussels

THE UK and the European Commission are close to a compromise on the long-running dispute over Britain's insistence on retaining border controls on people beyond the end of this year.

The Commission has conceded Britain's right to maintain general spot-checks at British ports of entry, while the UK government has pledged to lighten the controls on European Community nationals, EC and British officials said yesterday.

The border issue has proved one of the thorniest questions to resolve in the movement toward a single EC market. Under a Community treaty – the Single European Act – all controls on goods, services and people are to be lifted by January 1 1993. But Britain has insisted on guarding its frontiers against the threat of drug-smugglers, terrorists and organised crime.

Mr Martin Bangemann, the German commissioner for the internal market, held talks this week with Mr Kenneth Clarke, the British home secretary, in which Mr Clarke presented new proposals for breaking the impasse. "My feeling is that we can find a pragmatic solution," Mr Bangemann said in Brussels yesterday.

The commissioner said that Britain and the Commission shared the general aim of scrapping controls on the movement of people within the EC. The dilemma was how EC citizens could be identified by British immigration without having to subject their passports to scrutiny or other onerous controls.

One solution would be for EC nationals merely to wave their EC passports as they walked through immigration, he suggested. The British authorities would be able to retain controls on non-EC nationals, while also maintaining spot-checks on suspected illegal entrants, he stressed.

Mr Bangemann also hinted that earlier Commission threats to bring Britain before the European Court of Justice for maintaining its border controls had been dropped. In effect, both sides had agreed to disagree on their interpretation of article 8a of the Single European Act requiring an end to all controls.

Britain has insisted that its vulnerability as an island state is *much greater than that of its con*tinental partners and cited the border issue as an example of Commission meddling.

Despite the prospect of compromise with the Commission on border checks, Britain remains at odds with Spain over the sovereignty of Gibraltar. This is holding up the long-awaited convention on strengthening the EC's external frontiers.

Mr Bangemann, who has just completed a report on progress towards the single market by all EC members, painted a rosy picture yesterday. Some 90 per cent of the proposals originally set out in 1985 had been adopted by the 12 partners.

THE LEX COLUMN

Bowater squeezes by

Judging by the performance of Bowater's shares over the past three years, the market views the company as a model of how to manage in recession. The technique, underlined by yesterday's 19 per cent increase in *interim pre-tax profits, is to squeeze* higher margins from some well-defined core businesses. Sales have barely increased since Mr Norman Ireland arrived from BTR in 1987, but profits have grown by 230 per cent over the same period. The acquisitions of DRG and Cope Allman this year have brought more raw material with which to work: operating margins are significantly lower than elsewhere in the group. On past experience this alone should leave scope for earnings growth as efficiency gains feed through to the bottom line.

Yet the acquisitions also leave Bowater more heavily exposed to a European packaging market which is showing signs of stagnation. Weak pulp and plastics prices are behind a deflationary cycle which encompasses lower selling prices and pressure on margins. Discounting acquisitions, Bowater's first-half profits from Europe were actually down on last year. The strategy is to defend prices, but margin improvements will be hard to achieve until conditions improve. A sharp increase in provisions may point to some formidable challenges for management.

Bowater may be robust enough to pursue its ambitions elsewhere. Gearing of 35 per cent should allow for some smaller acquisitions in less depressed markets. Capital expenditure has fallen but remains comfortably ahead of depreciation. From this position the company must stand a fighting chance of living up to the market's high expectations. A price earnings ratio of 14 times this year's forecast earnings demands no less.

UK reserves

That UK official reserves fell sharply in August can come as little surprise. The Bank of England intervened to the tune of getting on for \$2bn on Wednesday last week alone. But what is not shown up by the figures is the full extent to which the Bank has been selling the mark, for example through buying dollars against marks: such action has little net effect on reserve values in the short term.

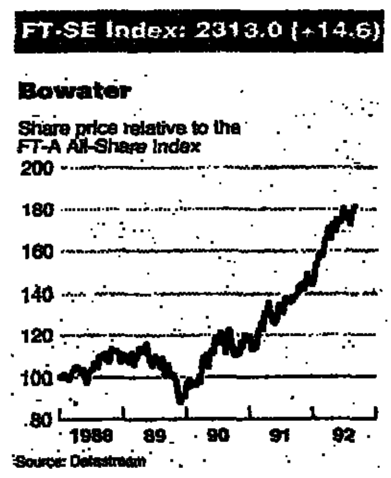
From now until at least the French vote on Maastricht the UK authorities are locked in to a struggle with the foreign exchanges. The Bank's tactics – keeping its powder dry until the barbarians are at the gate – seem to be working for the moment. Critics who argue that leaving action to the last minute means that intervention has to be heavy may be proved wrong. Speculators shorting sterling get very nervous within sight of the ERM floor.

This is not to say the Bank will win the psychological battle – further trouble could come as soon as tomorrow if the US employment report weakens the dollar further. September's drain on foreign reserves is unlikely to be less than that in August.

FT-SE Index: 2313.0 (+14.6)

Bowater

Share price relative to the FT-A All-Share Index



Source: Datastream

Mowlem

On the whole investors are probably not too bothered whether or not the Stock Exchange's company news service turns into a sort of electronic Exchange and Mart. Mowlem shareholders, though, may wonder whether the unusual decision to publish its adviser's telephone number on it for the benefit of "interested parties" reflects the urgency of signing a London City airport deal.

The company insists not, and to be fair the financial warning lights are hardly flashing. Mowlem's balance sheet looks reasonably robust by contractors' standards – gearing should not be more than 35 to 40 per cent this year – and 1991's 3½ times interest cover provides a respectable buffer. The scaffolding side ought to be a cash generator even in depressed times, and though a cash outflow is expected on the contracting side there are no obvious horror stories.

That said, the decision to flush out co-investors at this stage remains puzzling. The City airport project may start to generate cash over the next 12 to 18 months, while the promoters can point to improved road access and recent successes in developing new services. But an operating loss on the airport looks inevitable this year – one incidentally which will show up in the group profit and loss account now the 1990 provision has been exhausted – while the required passenger volumes for breaking even still look some way off. Perhaps Mowlem has simply – and not unwisely – decided to cut its losses on a Docklands excursion conceived in headier days.

Invergordon

Yesterday's 11 per cent increase in interim profits from Invergordon made a refreshing change to a dull diet of depressed earnings. The management's strong grip on the business is demonstrated by increasing margins and market share, in spite of falls in wholesale whisky prices. True, the performance is flattered by recession, as consumers switch to cheap scotch. Nevertheless Invergordon's success in this own-label market is impressive.

That said, the spectre at the feast is Whyte & Mackay's 41 per cent stake in the company. Given the value Whyte clearly places on Invergordon's grain distillery and whisky stocks, a fresh bid seems likely when it is free to renew its assault in November. But with Whyte probably having to pay 50p-75p more than last year's failed 275p offer, there is room for doubt. Whisky prices are weakening, and at the same time, Invergordon stands at a premium to the sector. If prices continue to ease, Whyte may just decide that it can get the shares cheaper if it waits.

UK insurers

The solvency ratio seems to be under growing fire as a reliable guide to an insurance company's health – and quite right too. It has been clear since the underpricing of the late 1980s that premium income is an inadequate proxy for measuring scale of risk. Yesterday's placing of cumulative irredeemable preference shares by General Accident, though, also highlights loopholes in the other half of the calculation. Although qualifying as capital for the purposes of the official solvency ratio calculation, cumulative prefs hardly offer an insurer the same cushion as pure equity.

World Weather

City		°C	°F
Ajaccio	S	25	77
Algiers	S	29	84
Amsterdam	Dr	14	57
Athens	S	30	86
Bahrain	S	36	97
Bangkok	F	34	93
Barcelona	S	24	75
Beijing	S	33	91
Beirut	S	31	88
Belfast	R	13	55
Belgrade	S	22	72
Berlin	F	16	61
Biarritz	S	25	77
Bombay	Dr	26	79
Bordeaux	S	24	75
Boulogne	R	15	59
Brussels	R	13	55
Budapest	S	19	66
Buenos Aires	C	10	50
Cairo	S	31	88
Cape Town	F	15	59
Caracas	F	28	82
Casablanca †	F	24	75
Chicago †	C	19	66
Cologne	R	15	59
Copenhagen	F	16	61
Corfu	S	32	90
Dallas †	C	24	75
Dublin	F	16	61
Dubrovnik		–	–
Edinburgh	R	12	54
Faro	S	26	79
Florence	S	26	79
Frankfurt	F	18	64
Geneva	S	20	68
Gibraltar	C	23	73
Glasgow	R	11	52
Helsinki	C	14	57
Hong Kong	S	33	91
Innsbruck	S	19	66
Inverness	F	13	55
Islamabad	R	26	79
Istanbul	S	28	82
Jakarta	R	32	90
Johannesburg	S	25	77
Lisbon	S	25	77
London	C	17	63
Los Angeles †	C	19	66
Luxembourg	C	15	59
Madeira	S	24	75
Madrid	S	24	75
Majorca	F	25	77
Malaga	S	26	79
Malta	S	29	84
Manila	C	30	86
Melbourne	F	13	55
Mexico City	R	25	77
Miami †	S	28	82
Milan	S	24	75
Montreal †	S	25	77
Moscow	S	24	75
Munich	S	19	66
Nairobi	C	22	72
Naples	S	29	84
Nassau	F	32	89
New Delhi	F	34	93
New York †	S	17	63
Nice	S	23	73
Nicosia	S	29	84
Oporto	S	21	70
Oslo	S	18	64
Paris	R	16	61
Prague	F	19	66
Reykjavik	F	8	46
Rhodes	S	30	86
Rio d'Janeiro	C	28	83
Rome	S	27	81
Salzburg	S	19	66
S'Francisco †	F	14	57
Seoul	F	26	79
Singapore	T	31	88
Stockholm	S	18	64
Strasbourg	F	20	68
Sydney	S	21	70
Taipei	C	33	91
Tangier	S	28	82
Tel Aviv	F	33	91
Tenerife	S	29	84
Tokyo	S	30	86
Toronto †	S	9	48
Tunis	F	28	82
Valencia	S	26	79
Venice	S	23	73
Vienna	S	19	66
Warsaw	F	17	63
Washington †	C	21	70
Zurich	S	19	66

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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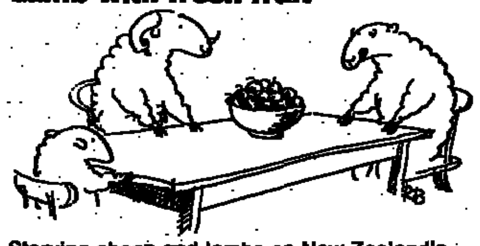
INSIDE

IBM and Canon in PC venture

International Business Machines, the US computer company, and Canon, the Japanese office equipment and camera maker, have joined forces to develop compact personal computers. The project aims to build portable desktop machines that incorporate a small printer using Canon's bubble-jet technology. Page 18

Lamb with fresh fruit



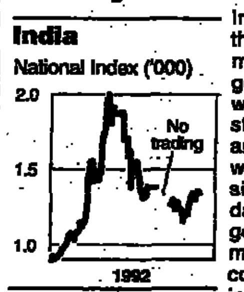
Starving sheep and lambs on New Zealand's South Island are being nourished with kiwifruit. The fruit's farmers are sending 11,000 tonnes of produce not considered good enough for export. The sheep are survivors of freak blizzards and it is believed the fruit will help rebuild their strength. Page 22

Cheers for Invergordon

Growing demand for supermarkets' own-label Scotch whisky helped Invergordon Distillers Group lift interim pre-tax profits from £13.1m to £14.6m ($29m). Volume sales to retailers such as Tesco and Safeway rose 12. Page 21; Lex, Page 14

Bombay shakes off scandal

India



Indian bourses, enjoying their first rally for three months, are awaiting government measures which they hope will stimulate the economy and boost equity values which have languished since a securities scandal early in May. The government plans to make the rupee fully convertible and lower interest rates if prices continue to drop. Back Page

TNT optimistic despite loss

TNT, the Australian transport group, announced its second annual loss of nearly A$200m (US$144m) but said that two years of restructuring had put it in "a strong position to return to profitability". Page 17

Seagram profits ahead

Seagram, one of the world's top four drinks groups, says its policy of concentrating on higher-margin premium brands is paying off in higher profits. Page 17

CRH increases by 7%

CRH, the international building materials group and one of Ireland's biggest companies, yesterday reported a 7 per cent rise in pre-tax profits during the six months to the end of June from I£21.1m to I£22.6m ($42.4m). Page 20

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Holzmann Ph	824	+	9
Sud Chemie	500	+	10
Falls			
Asko Prf	398	−	20
Douglas	470	−	21
Hochtief	930	−	20
Philips Kommun	580	−	20

NEW YORK ($)			
Rises			
Amgen	65	+	½
Apple	48½	+	2
Borland	43	+	½
CBS	200	+	2⅞
Falls			
Gen Motors	34¼	−	⅛
Sun Micro	27⅛	−	½

New York prices at 4pm.

PARIS (FFr)			
Rises			
Accor	538	+	17
Axa	743	+	34
Cap Gemini	194	+	11
Euro RSCG	580	+	25
UAP	349.8	+	11.2
Falls			
Total B	195.1	−	12.2

TOKYO (Yen)			
Rises			
Isuzu Motors	370	+	80
Jidosha Sekin	305	+	55
Nichiboshin	423	+	80
Falls			
Isetan	2400	−	400
Matsuzakaya	1390	−	290
Nagasakiya	1350	−	300

LONDON (Pence)			
Rises			
Airtours	187	+	14
Allied Leisure	24	+	5
Bridport G'dry	50	+	7
Br Aerospace	217	+	12
Euro Disney	805	+	62
Ladbroke	148	+	5
Lucas Inds	82	+	4
MTM	30	+	7
P & O Defd	334	+	14
Rentokil	143	+	5
Tomkins	219	+	15
Falls			
Bryant	64	−	5
Bulmer (HP)	334	−	16
Campari Intl	313	−	18
Enterprise Oil	324	−	21
Erith	24	−	5
Fairline Boats	135	−	20
Fife Indmar	43	−	8
Gaskell	93	−	21
Harlstone	135	−	7
London Intl	183	−	11
Palon	93	−	21
Rank Org	477	−	13
Tarmac	56	−	9

RBC's income plunges 57% due to loans

By Bernard Simon in Toronto

ROYAL BANK of Canada, the country's biggest financial institution, suffered a 57 per cent plunge in third-quarter income, largely because of further write-downs on its loans to ailing property developer Olympia & York.

RBC has now classified its entire C$766m (US$640m) exposure to O&Y as non-performing. An official said yesterday that a "significant", but not the entire, amount will be written off as a charge against income.

More than a third of RBC's exposure is in the form of participation in a substantial loan secured by O&Y's shares in newsprint maker Abitibi-Price and Gulf Canada Resources.

The O&Y losses have been partly instrumental in Royal more than doubling its estimate of specific loan losses for fiscal 1992 to C$1.45bn, from C$705m last year.

The official said the rest of the increase is due mainly to difficulties at Central Capital, a troubled Canadian financial institution, and to other property borrowers in the Toronto area.

Recoveries of earlier provisions for Third World loans will, however, reduce the losses charged against income to C$1.15bn for 1992.

Net earnings slid to C$112.4m, or 26 cents a share, in the three months to July 31, from C$261.3m, or 77 cents, a year earlier.

Loan-loss provisions for the quarter rose sharply, to C$390m from C$155m, but were partly offset by wider domestic interest rate margins and by a strong contribution from RBC Dominion Securities, the bank's securities dealer subsidiary. Dominion Securities earned almost C$25m in the third quarter.

The return on equity tumbled to 5 per cent from 16.1 per cent, and return on assets was down to 0.33 per cent from 0.80 per cent. Total assets stood at C$139.5bn on July 31, up from C$130.2bn a year earlier.

Total non-performing loans, excluding Third World debt, have jumped in the past year to C$2.85bn from C$1.79bn.

In spite of its loan problems, RBC maintains a strong capital position. Its ratio of total capital to assets was 9.5 per cent on July 31, or 10.3 per cent if measured by US regulatory definitions.

Royal Bank's shares dropped 25 cents to close at C$24.63.

Frenchman given president's post at Euro Disney

By Alice Rawsthorn in Paris

EURO Disney, which has been beset by rumours of poor attendance since the spring opening of its ambitious theme park outside Paris, is reshuffling its senior management in an attempt to improve the performance of the park and its merchandising interests.

The news of the management changes came shortly after stock market reports of an improvement in last month's hotel occupancy rates and in the level of attendance by French visitors at the Euro Disneyland complex.

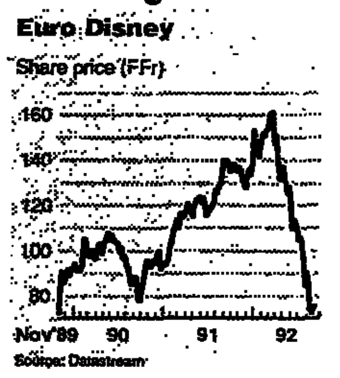
The reports fuelled a rise in Euro Disney's shares, which have fallen heavily over the summer, by FFr5 to FFr77 during the day. The shares were first traded on November 7, 1989.

Euro Disney is appointing Mr Philippe Bourguignon, 44, as president reporting to Mr Robert Fitzpatrick, who is promoted from president to chairman.

Mr Bourguignon, a Frenchman, joined the group in 1988 from Accor, one of France's largest hotel and leisure companies, and has since been responsible for its construction and property development.

One of the chief criticisms of Euro Disney has been that the company has been slow in adapting the management and marketing techniques developed by Disney, its US parent, to the different demands of the European market.

Euro Disney



Source: Datastream

Euro Disney said yesterday that Mr Bourguignon's appointment reflected its long-term plan to replace the US executives, who had helped to launch the park, with Europeans.

However, Euro Disney is bringing in Mr Steve Burke, 34, from the US to take responsibility for its theme parks and merchandising as executive vice-president.

Mr Burke worked on Disney merchandising in the US where he pioneered the development of the Disney stores chain.

The group is also appointing Mr Sanjay Varma, 37, as president of its resorts activities, which include the Euro Disneyland hotels.

Euro Disney recently admitted that the occupancy levels at its hotels had been below expectations.

Loss-making Swedish bank appoints chairman

By Robert Taylor in Stockholm

NORDBANKEN, Sweden's loss-making state-owned bank, yesterday appointed a new chairman. Mr Jacob Palmstierna, the current deputy, will take over from Mr Bjorn Wahlstrom, who is leaving the bank.

Mr Palmstierna will work closely with the bank's chief executive Mr Hans Dahlborg, who remains in his post.

Mr Palmstierna said that the restructuring of Nordbanken should pave the way for its privatisation. At the beginning of next year around SKr60bn ($11.2bn) of its risk-related loans and debts will be removed from its balance sheet and placed in a new state-owned company called Securum. The bank has a loan portfolio of SKr250bn.

However, the disappearance of the worst credit loss problems from the bank will enable it to concentrate on becoming more domestically based and to appeal more strongly to private customers, the public sector and small and medium-sized companies.

Mr Palmstierna said the bank would not be ripe for privatising in 1993 and it would need "five to six quarters of profitable operations" before it could be considered to have returned to viability.

In the first four months of the year it made an operating loss of SKr1.97bn following a deficit of SKr5.8bn in 1991.

The bank has received SKr20bn of Swedish taxpayers' money to help it stem the flow of losses due to bad loans in property speculation. It plans to cut its 6,500 staff by 1,400 over the next 18 months. These cost-saving measures are designed to ensure it maintains strong capital ratios.

Mr Palmstierna, when chief executive of Skandinaviska Enskilda Banken, Sweden's largest commercial bank, where he had spent his banking career, was charged with tax evasion.

Although cleared of the charge, he was forced to resign from SEB.

When Nordbanken's leadership was dismissed by the Swedish government in January 1991 as the magnitude of the bank's credit losses became known, the newly-appointed chairman Mr Wahlstrom decided to appoint Mr Palmstierna as his deputy. The decision was approved warmly by Mr Allan Larsson, the then Social Democratic finance minister.

When an insolvent company's main asset is its staff, receivers are going for a speedy management buy-out, reports Andrew Jack

Creditors worry about a quick sell

When creditors of Corporate Communications, the parent of Charles Barker, the UK's oldest public relations firm, heard that the company had appointed receivers on Thursday July 30 they were shocked.

When they heard later that same day that the principal divisions of the company – which owed them £10m ($20m) – were to be sold in two buy-outs headed by existing directors, they were livid. They were also powerless.

Over the last few years, a new trend has accompanied the growth of "people businesses" – those companies, in businesses such as advertising and marketing, in which the most valuable assets are the employees.

Insolvency practitioners called in as receivers have acted with controversial speed in selling them to the current management.

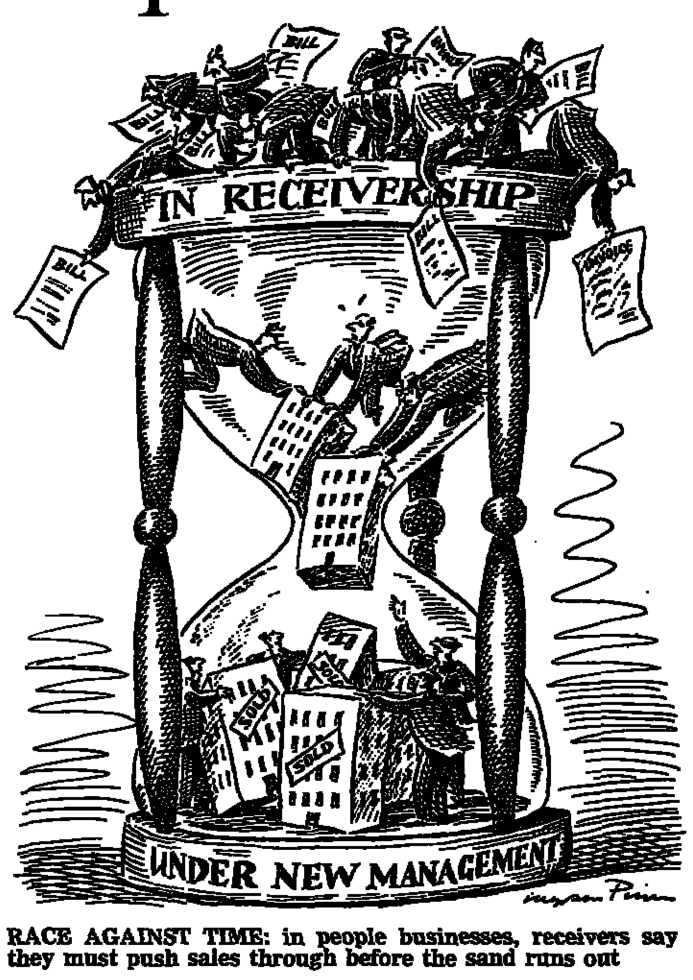
Last month saw the high-speed transition from receivership to sale of subsidiaries of Burns-Anderson, the recruitment and financial services group. Within 48 hours of the receivership, Mr Dorian Marks, the finance director of its recruitment arm, had bought 16 of the 21 recruitment offices on behalf of a new company, Premier Employment.

Before that was the case of Babcock Prebon, the financial services company, which called in receivers one Friday afternoon in September 1991. By the early hours of the following Sunday a management buy-out headed by Mr Arthur Hughes, chief executive, was in place. FKB, a large marketing services group, went into receivership in July 1990. Yellowhammer, an advertising agency, followed within a month. In both cases, subsidiaries were sold within a few days.

When subsidiaries are sold to the management – as in some, but not all, of these cases – creditors are increasingly starting to complain. They often feel aggrieved that some of the directors running a company at the time – and responsible, therefore, for incurring debts which cannot now be met – are able to make a smooth transition to taking charge of its successor.

Mr Jonathan Phillips, an insolvency partner with Price Waterhouse, says: "What a sale really comes down to is getting the best price available, not looking at the conduct of the directors."

He says it is only later that the role of the directors is closely examined, during the investigations for the compulsory report the receiver must submit to the Department of Trade and Industry on the circumstances surrounding every corporate insolvency. He argues that creditors are more concerned with getting their money back than raking over the directors' involvement in the company's collapse.



RACE AGAINST TIME: in people businesses, receivers say they must push sales through before the sand runs out

A more practical question for creditors is whether such speedy sales to existing management close off the possibility of finding alternative buyers who might offer higher prices.

After the two management buy-outs from Corporate Communications, a number of other public relations firms said publicly that they would have been interested in purchasing the company. More generally, creditors and potential purchasers often complain that sales have not been widely advertised.

But Mr Ian Bond, a partner with Cork Gully who was joint receiver to Corporate Communications, Babcock Prebon and Yellowhammer, stresses the importance of rapid sales which often do not leave time to foster many offers from third parties. "People businesses fall apart very quickly after a receivership," he says. "Speed is essential." Clients, customers and staff – anxious not to be tarred by the brush of a bust company or risk losing money – drift away, leaving the receiver with nothing of value to sell. Any time wasted advertising for or seeking out external purchasers could only precipitate this decline, he believes. Very often expressions of interest do not translate into serious offers.

There will be delays while companies carry out due diligence, he says. During the summer, with senior executives on holiday, he adds that it is very difficult to get external potential buyers to commit quickly.

A third point is how long a delay is acceptable between the decision to appoint receivers and the moment at which creditors are informed. Corporate Communications, for example, has said that it passed a resolution to appoint receivers on July 23. This was one week before most of the creditors were informed.

During that period, the two management buy-outs were prepared, with financial backing from Bank of Scotland, its banker, and USF&G, the US insurance group which owned 60.2 per cent of Corporate Communications. Meanwhile, ignorant of the company's imminent receivership, other creditors continued to do business with the company. For example, newspapers – including the Financial Times – continued to accept advertisements from Charles Barker, adding to their exposure to the receivership.

Mr Tim Hayward, head of corporate recovery at KPMG Peat Marwick, says that a big creditor will always push for a receiver at the time which suits it best financially. Other creditors inevitably have less power and may suffer as a consequence.

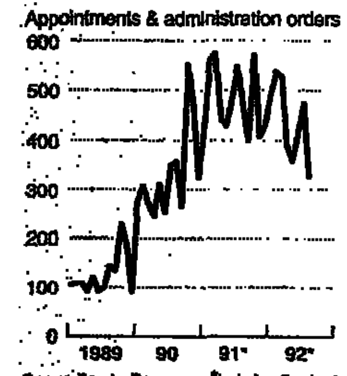
Finally, there is the question of whether the bank to a company in receivership should be allowed to support a buy-out – a practice which Mr Bond says is becoming more common. That allows a large existing creditor considerable control over the pace of the receivership, the chance to recover or reschedule substantial debts it is owed and the opportunity to profit from the emergence of the new company.

Of course, in people businesses like these – where there are typically no substantial fixed assets – it is likely that only a bank with detailed knowledge of a collapsed company's finances would be willing to put together a buy-out quickly enough to meet the receivers' need for speed.

As more and more UK companies generate revenues from intellectual effort rather than physical products, the issue is likely to become a more presing one – and insolvency practitioners handling such cases will have to deal with a steady chorus of grumbling from creditors.

Administrative receivership

Appointments & administration orders



Source: Touche Ross *Including Scotland

Acquisitions help Bowater profits to rise by 19%

By John Thornhill in London

BOWATER, the diversified UK packaging and printing business newly installed in the FT-SE 100 index, produced a 19 per cent improvement in interim pre-tax profits to £62.4m ($124.2m) as it successfully digested recent acquisitions and improved operating margins.

But the company warned that the outlook for the second half remained uncertain in Europe although it expected continued improvement from its operations in North America.

Group turnover from continuing businesses rose 23 per cent to £706m in the six months to June 30 and operating profits were 31 per cent up at £61.1m.

Mr David Lyon, chief executive, said the packaging market was suffering from deflationary pricing and rising costs. But these pressures were largely offset by partnership arrangements with long-term customers.

DRG Packaging and Cope Allman Packaging, two companies bought in March for £444m, bolstered Bowater's sales and enhanced earnings, largely thanks to cheap acquisition financing.

Mr Lyon said Bowater had invested heavily at the bottom of the economic cycle and should reap the rewards when conditions improved.

Bowater's fully diluted earnings per share rose 7 per cent to 22.3p following its one-for-three rights issue in March. The interim dividend was lifted 9 per cent to 9.7p.

Mr Lyon said Bowater would consider "bolt-on" acquisitions and aimed to strengthen its position in the Far East.

Lex, Page 14

INTERNATIONAL COMPANIES AND FINANCE

Elkem seeks delay on repayment

By Karen Fossli in Oslo

ELKEM, the troubled Norwegian light metals producer, is *seeking permission* from the industry ministry to delay repayment of a NKr270m ($46.8m) state loan which is due in mid-1993.

The loan financed Elkem's acquisition two years ago of a stake in former state-owned Norsk Jern Holding, which controls steel production and distribution companies.

The company said yesterday that the request was not prompted by the deepening crisis for Norway's short-term commercial paper market. Elkem's A shares closed 16.7 per cent down at NKr30 and free shares plunged 20 per cent to NKr30 on the news.

The company's other loans are being serviced in accordance with stated agreements.

Norway's NKr16.5bn short-term commercial paper loan market, called certificates domestically, is suffering from a liquidity squeeze after UNI Storebrand, the country's biggest insurer, last week collapsed into the hands of state administrators when its holding company could not repay an estimated NKr3.6bn in short-term debt.

This week, Investa A/S, a Bergen-based investment company, won court protection from creditors after failing to remit on certificate loans of an estimated NKr2.8bn.

The certificate market is jittery over NKr4.3bn worth of debt due for payment this month.

The central bank yesterday *reiterated* that it would provide liquidity to loans to companies in situations where their funding deteriorates for reasons not connected directly to them.

"Elkem is not dependent on the certificate market, but has the main bulk of its financing through the bond market, banks and syndicated loan facilities," it said.

The company added that it was not affected by the conditions that caused problems for UNI Storebrand and Investa. State administrators of Uni said yesterday that it was investigating whether NKr358m in short-term loans were illegally secured by the company based on information of its financial situation the week before it collapsed.

Elkem said that it had total net interest-bearing debt of an estimated NKr3.9bn.

Elkem added that it was seeking to delay repayment of the loan because Norsk Jern had not performed up to expectations.

The company is planning further staff reductions at domestic aluminium and ferrosilicon plants, to be announced at the end of this month. Elkem today will also announce plans to reduce domestic ferrosilicon production by 10,000 tonnes out of annual capacity of more than 200,000 tonnes.

Vestey arm agrees refinancing with banks

By Roland Rudd in London

UNION INTERNATIONAL, the financially troubled trading arm of the Vestey Group and one of the UK's largest private companies, has agreed a £300m ($597m) refinancing package with its steering committee of nine banks.

The arrangement, which was also approved by an annual and extraordinary shareholders meeting on Tuesday, has been sent for approval to the group's other 70 banks from 25 countries.

They have been told that the fall in the value of Union's property and the rationalisation of the Dewhurst butchers chain is likely to result in a net write down of the company's £176.7m net assets to less than £42m in accounts for 1991, which are due to be published in October.

Under the terms of the refinancing package the bankers will continue to provide lending facilities to Union, which was in breach of its net banking covenants, until the end of 1994.

Union has also told its bankers that it will reduce its £300m debt, which has already fallen from a peak of £420m, through a series of disposals and possible flotations of subsidiaries in the underdeveloped stock markets in South America.

In the document circulated to shareholders, the refinancing *agreements* "*include the* provision by the Vestey family and related companies . . . of a financial package worth up to £35m to the Union Group and its bankers".

Union's articles of association have been changed to allow the company to extend its borrowing limit because of a fall in reserves.

The Dewhurst butcher chain, which is in the process of being slimmed down from 1,000 retail outlets to 600, will only become a candidate for sale if the debt reduction programme takes longer than expected.

The company hopes to have the agreement of all its bankers by the end of October.

Sarrio acquires Slovenian cardboard unit for Pta8bn

By Tom Burns in Madrid

SARRIO, the Spanish cardboard manufacturer controlled by Italy's Saffa group, has paid Pta8bn ($88m) to acquire 76 per cent of Papirnica Kolicevo, the leading producer of stucco cardboard in Slovenia.

The takeover, which marks one of the largest disposals to date by Slovenia's privatisation agency, lifts Sarrio's annual output of cardboard to more than 800,000 tonnes making it western Europe's second largest manufacturer after Austria's Meir Menholf and ahead of the Swedish Stora-Fedmulhe group.

Under the terms of the acquisition 24 per cent of Papirnica Kolicevo, which had a turnover of Pta5.2bn last year, will be held by Slovenia's development agency and Pta3.4bn of the purchase price will be allocated to improving the plant's productivity. Sarrio said that in the mid-term Papirnica Kolicevo's present output of 100,000 tonnes, 50 per cent of which is exported to the European Community, would be increased to 180,000 tonnes.

The takeover represents the biggest investment to date by a Spanish company in eastern Europe and is funded by a Pta9.4bn convertible bond issue last year and by Sarrio's cash flow.

The bond is also financing a Pta3.5bn investment programme in the company's two plants in Spain.

Sarrio was merged in 1990 with Italy's Cartiere Saffa, a cardboard producer with three units in Italy owned by the Saffa group, and the business was headquartered in Spain because, with fund raising for future investments in mind, the Spanish markets were preferred to the Italian ones.

Philip Morris in Russian deal

By Philip Rawstorne

PHILIP MORRIS, the US tobacco and food group, is expected to announce details tomorrow of a deal for the production of Marlboro cigarettes in St Petersburg, Russia.

The move will extend the group's operations in eastern Europe. It has a subsidiary in eastern Germany and has acquired interests in former state-owned cigarette producers in Czechoslovakia and Hungary. Philip Morris supplied the Russian republic with 22bn cigarettes last year.

Commerzbank postpones issue

By Andrew Fisher in Frankfurt

COMMERZBANK said that it had decided to postpone its planned rights issue from this month because of the weak state of the German stock market.

The bank had planned to raise up to DM600m ($428m), assuming a price of around DM200 a share. The shares closed at DM218 compared with a year's high of DM274.

The bank did not say when it was likely to make the issue – it actually has shareholder's approval to issue 8m new shares, but is expected to limit the rights issue to around 3m – which could now occur at the end of this year or in 1993, depending on the state of the market.

● Mr Friedrich von Metzler, a partner in the Metzler private bank, is resigning as chairman of the Frankfurt stock exchange to pave the way for a successor from one of the big German banks as part of the restructuring of the German bourse system.

With the setting up of Deutsche Börse AG to run Germany's eight stock markets on a more centralised basis, Mr Metzler said the position should be held by a market participant represented on all of the bourses. He proposed that Mr Rolf Breuer, a director of Deutsche Bank, be elected next January as chairman of both the Frankfurt stock exchange and the supervisory board of Deutsche Börse.

Mr von Metzler said the formation of Deutsche Börse would raise the financial scene to a new level of quality, with all bourses co-operating to modernise the German securities market. Frankfurt is by far the largest of the eight stock markets, with Düsseldorf in second place.

Dutch insurer improves 7.2%

By David Brown in Amsterdam

FIRST-HALF net profits at Internationale Nederlanden Group (ING), the Dutch banking and insurance company, improved by 7.2 per cent to Fl 758m ($460m) on turnover up 3.6 per cent to Fl 23.9bn.

In spite of higher personnel costs, ING held the overall increase in expenditure to 3.4 per cent and pre-tax profit climbed 6.9 per cent to Fl 1.02bn.

On the insurance side, total premium income advanced by 5.5 per cent to Fl 9.9bn, with the strongest increase coming in the life insurance activities, which generated half the total income. Growth was strong on the North American and Australian markets and generally stagnant in Holland.

The combined pre-tax result of the insurance operation was Fl 495m, an increase of 3.7 per cent against the same period in 1991.

Profit fell in the re-insurance business. On Tuesday, ING announced plans to stop writing new business in its loss-making UK-based Orion subsidiary, which specialises in marine and aviation on the London market. Profit in non-life insurance was ahead.

On the banking side, a continued strong growth in international lending pushed pre-tax banking profit up 10.4 per cent to Fl 550m.

The total loan portfolio climbed 4.6 per cent to Fl 132.3bn. Domestic corporate and personal lending was stagnant. Overall group income from lending and investments was up 1.8 per cent to Fl 12.9bn, while commission and other income rose 7.7 per cent to Fl 1.07bn.

ING has declared an interim dividend of Fl 1.55 per share.

Benetton family reorganises sports sector

By Haig Simonian in Milan

ITALY'S Benetton family, which controls the Italian clothing group of the same name, is reorganising its sports equipment sector, built up over the past three years through a series of takeovers.

The acquisitions, which include Prince, the US tennis racquet maker, have been held by Edizione Holding, the Benetton's private family holding company.

Under the reorganisation, a new holding company, Benetton Sportsystem, is being created to control all the family's sports equipment activities.

NEWS IN BRIEF

J. Lauritzen, the Danish shipping and shipbuilding group, announced pre-tax profits for the first six months of 1992 of DKr157m ($29m), compared with DKr118m for the same period last year. Profit after tax and minorities was DKr111m after the first half of 1991's DKr77m, writes our Copenhagen correspondent.

The company expected a poorer result for the whole of 1992 than the DKr588m pre-tax profit it posted in 1991.

The company said its first-half result was acceptable. However, shipbuilding at its two Danish yards had been disappointing.

Lauritzen reported DKr6.85bn group sales for the first half of 1992, compared with DKr6.47bn for the same period last year.

Banco Exterior, a state-controlled enterprise and one of Spain's leading financial institutions, raised its first-half consolidated net profits by 16 per cent to Pta16.2bn ($178.9m), writes Tom Burns.

The bank, which is an important player in the public sector and has frequently been cited as a possible candidate for partial privatisation, raised its consolidated operating profit by 3.3 per cent to Pta39.8bn and its cash flow by 15 per cent to Pta58.2bn.

Toyoda Machine to pull out of base in France

By Robert Thomson in Tokyo

TOYODA Machine Works, the Toyota Motor affiliate, plans to close a French machine tool plant once viewed as the company's strategic foothold in the European market.

The closure, planned for next year, is a sign of the general restructuring of Japan's manufacturing industry, which is attempting to reduce capacity and is being forced to review foreign investments made during the 1980s.

Ernault-Toyoda Automation (ETA), based in Cholot, near Nantes, has been making automatic lathes and machining centres, but Toyoda Machine said yesterday the manufacturing operations are likely to cease and ETA will become a sales and service company for imported machine tools.

Toyoda Machine reported a consolidated net loss of Y4.8bn last year, and blamed its poor performance on the downturn in Japan's domestic economy and troubled markets in Europe and the US. The company was forced to set aside Y3.8bn to cover losses at ETA, and has forecast a group loss of Y2.5bn ($20m) for the current year to the end of March.

The Japanese machine tool maker has closed a US plant and announced early last year that ETA's workforce, now at 200, would be halved. Its attempts to salvage foreign manufacturing bases were undermined by the sharp fall in capital spending at home, as the industry last fiscal year reported a 24 per cent fall in new orders.

Several Japanese manufacturers are known to be reviewing overseas investments that appeared to be wise strategic purchases during the 1980s, but which have since become a burden to a faltering parent company.

Meanwhile, other manufacturers are trimming product lines and revising longer-term expansion plans.

Toyoda Machine took a stake in Ernault, a French machine tool maker looking for an infusion of cash and technology, during the early 1980s. Ernault-Toyoda Automation became a Toyoda Machine subsidiary and the Japanese parent has continued to pump fresh funds into the ailing company.

IBM and Canon in PC venture

By Steven Butler in Tokyo

IBM, the US computer company, and Canon, the Japanese office equipment and camera maker, have joined forces to develop compact personal computers.

The aim of the project is to build portable and small desktop machines that incorporate a small printer using Canon's bubble-jet technology.

Initially, Canon is to make the computer in Japan for sale under its own name, and will supply the product to IBM on an original equipment manufacturer basis. It is to be based on the PS/55 computer made by IBM Japan and will be available in the "near future".

Canon Sales, a subsidiary of Canon, markets IBM computers in Japan. Canon also supplies bubble-jet printers to IBM on an OEM basis.

The two also plan to develop ties in the field of multi-media devices, which combine audio, video, computer, or communication functions.

For IBM, the collaboration is the latest in a series of co-operative arrangements with Japanese companies as part of its new strategy, following a restructuring last year.

IBM is developing flash memory devices – semiconductor chips which retain memory after power is turned off – jointly with Toshiba. IBM has also joined forces with Toshiba and Siemens of Germany to develop technology for the 256 megabit dynamic random access memory chip. Hitachi and IBM recently agreed to work together on printing technology.

Canon has a growing business making computer peripheral devices.

Toshiba to form battery link with Asahi

By Steven Butler

TOSHIBA, the Japanese electronics company, and Asahi Chemical Industry, the leading synthetic fibre maker, yesterday agreed to establish a joint venture company to develop, manufacture and market rechargeable batteries for portable electronic equipment.

The companies are to manufacture lithium ion rechargeable batteries, which, they claim, are light, small and environmentally friendly.

Power supply for electronic devices is becoming the bottleneck that limits portability or use time for items such as notebook computers or cellular telephones.

The cadmium in nickel cadmium batteries, commonly used in portable equipment, has posed a severe environmental problem. The companies say lithium ion batteries provide twice the capacity of nickel cadmium batteries.

The new venture is to be called A&T Battery. Sample shipment and marketing will begin next month, while mass production will start in October next year with a monthly production volume of 500,000 batteries.

Sales of Y30bn ($244m) are targeted for 1997.

The companies said the Japanese market for rechargeable batteries was Y150bn last year, and is expected to increase by 10 per cent this year.

Air Canada in new plan for merger with PWA

By Bernard Simon in Toronto

AIR CANADA has presented a new merger proposal to PWA, holding company of Canadian Airlines International, which aims to overcome objections to earlier plans for the creation of a single national airline.

The proposal is the latest move in a battle for survival between the two Canadian carriers, both of which are suffering heavy losses.

Air Canada is anxious to thwart moves by Calgary-based PWA to revive plans for an alliance with American Airlines. At the same time, the Montreal-based carrier is taking steps to forge its own international links.

Last week, it announced an offer with a group of Texas investors to buy Continental Airlines of the US, which is operating under bankruptcy protection. Air Canada's latest proposal to PWA seeks to answer fears that a new monopoly carrier would be dominated by Air Canada and would result in massive job losses.

Under the revised version, the two groups would set up a joint holding company but would continue to be managed separately by chief operating officers in Calgary and Montreal. Domestic and international routes would be rationalised to minimise competition.

Shareholders in each airline would receive one share in the new holding company for each share presently held.

Mr Hollis Harris, Air Canada chief executive, said the offer "is viewed as a partnership to build a strong Canadian carrier for the future, and not as an Air Canada takeover".

PWA has made no secret of its distaste for any deal with Air Canada. Earlier this week, it asked a court to declare insolvent the computerised reservation system which it shares with Air Canada. The move is widely interpreted as an effort to link Canadian Airlines to the Sabre network owned by American Airlines.

TNT repeats shortfall of A$200m

By Kevin Brown in Sydney

TNT, the Australian transport group, has suffered its second consecutive annual loss of nearly A$200m (US$143m), but claimed that two years of restructuring had put it in "a strong position to return to profitability".

The results, issued yesterday amid stock market confusion over the timing of the announcement, showed TNT lost a net A$195m after abnormal items on an equity accounted basis in 1991-92, against A$199m last time.

The worse-than-expected result, together with the decision to maintain maximum liquidity by passing the dividend, pushed the shares down three cents to A$1.24.

Equity accounted net operating losses increased from A$61m to A$100m, partly because of reorganisation and redundancy costs of A$33m.

The operating loss increased in spite of a fall in net interest expense from A$167m to A$110m, reflecting lower interest rates and a reduction in debt to A$1.1bn from A$2.4bn.

TNT said the bottom line loss was struck after net abnormal losses of A$95m, including A$35m against the start-up costs of GD Express Worldwide, a joint venture with European and North American post offices.

However, TNT made a net profit of A$4.5m on a consolidated basis, which excludes the group's investments in associated companies, compared with a net loss of A$15m the previous year.

The group's share of losses from Ansett Transport Industries, the Australian airline business jointly owned with News Corporation, declined to A$66m from A$102m.

Analysts said the result suggested that Ansett was recovering from the effects of recession and a price war which followed deregulation of domestic aviation in 1990. However, airline competition is likely to strengthen again following the launch of a new domestic airline this month.

TNT said losses on its 50 per cent investment in the Eastwest regional airline group rose from A$21m to A$71m, including an abnormal loss of A$36m to write off goodwill.

The group said Eastwest was expected to achieve "a significant improvement" in earnings in the current year.

Ansett Worldwide Aviation Services (AWAS), an aircraft leasing group jointly owned with News Corporation, contributed A$1m to equity accounted profits, compared to A$2.4m in the previous year.

Revenue declined to A$3.6m from A$4.8m on a consolidated basis, and from A$6.6m to A$6m on an equity accounted basis.

Policy change lifts Seagram

By Robert Gibbens in Montreal

SEAGRAM, one of the top four drinks groups, says its policy of concentrating on higher-margin premium brands is being reflected in higher profits.

For the second quarter ended July 31 sales of spirits, wines and other beverages gained 2 per cent to US$1.41bn, more than making up for the sale of several North American spirits brands in 1991.

Operating income was $160m, against $120m. After including $72m in dividends from its 25 per cent interest in El du Pont de Nemours ($69m a year earlier), and $33m equity in unremitted du Pont earnings, compared with $61m, Seagram's final net profit was $152m, or 41 cents a share, against $149m, or 23 cents, a year earlier.

First-half final net profit was $319m, or 85 cents, down from $337m, or 89 cents, a year earlier, because of lower equity in du Pont's earnings. Sales were $2.65bn, against $2.78bn.

In June, Seagram increased its 49 per cent interest in a Venezuelan distiller and a Venezuelan distributor to 100 per cent. This was in line with its policy of developing premium brands worldwide.

● Metall Mining, a fast-growing Canadian resource holding company controlled by Germany's Metallgesellschaft, earned C$3.87m (US$3.25m), or 8 cents a share, in the first half, against a loss of C$2.5m, or 6 cents, a year earlier, on revenues of C$106m against C$84.4m.

CRA declines 6.8% after A$32m charge

By Kevin Brown

CRA, the Australian mining group 49 per cent owned by RTZ of the UK, yesterday said equity accounted net profit fell by 6.8 per cent to A$128m (US$91.4m) in the first half to the end of June, on turnover up 9.2 per cent to A$2.5bn.

However, CRA said net profit would have increased by 16.2 per cent but for a A$32m charge against earnings required to correct a reduction in the surplus on the staff superannuation fund.

The group also revealed the Australian Securities Commission has queried the accounting treatment of several asset write-downs included in a A$384m extraordinary loss in the year to the end of December.

The treatment of the write-downs as extraordinary rather than abnormal items allowed the group to declare a net profit for last year of A$350m, rather than a net loss of A$34m. The group said it was too soon to say whether the 1991 accounts would have to be restated.

The board declared a fully franked interim dividend of 15 cents a share, against 10 cents the previous year. The shares closed 40 cents lower at A$12.24.

Alcoa sells Mexico aluminium stake

By Kenneth Gooding, Mining Correspondent

ALCOA, the world's biggest aluminium group, has sold its 44.3 per cent interest in Grupo Aluminio, an aluminium producer in Mexico, as part of a strategic change of direction there.

The buyer, Grupo Carso, a diversified Mexican company, paid $50m and Alcoa says it will show a pre-tax loss of about $3m on the transaction.

Aluminio owns an aluminium smelter with an annual capacity of about 66,000 tonnes, which was shut temporarily earlier this year because of depressed market conditions, and associated fabricating operations, including three mills.

At the same time, Alcoa has bought a metals distributor, Alutudos, from Aluminio for an undisclosed sum. Alutudos operates 15 distribution centres.

Alcoa said yesterday it was making an evaluation of its strategic options in the country.

Anglovaal not to develop gold mine

By Philip Gawith in Johannesburg

THE decision by Anglovaal mining house not to develop the Sun gold prospect has effectively put the seal on the development of any new gold mines in the country until the investment climate improves dramatically.

The high hopes Anglovaal held out for the mine, near Bothaville in the Orange Free State, are reflected in the R143m ($51.60m) it was prepared to spend over 11 years drilling the area.

Anglovaal said that while the results of the completed drilling programme were encouraging, "non-geological factors" – the gold price, exchange rate and political developments – were "too uncertain to justify major capital expenditure on this valuable asset at present".

Johannesburg Consolidated Investments has still to decide whether to proceed with its South Deep project.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 03.09.92: Pool purchase price £/MWh	Final Prices for Trading on 08.08.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.76	17.80	17.80
0100	17.69	17.80	17.80
0130	17.69	17.80	17.80
0200	17.69	17.71	17.71
0230	17.69	17.71	17.71
0300	17.69	17.71	17.71
0330	17.69	17.71	17.71
0400	17.69	17.71	17.71
0430	17.69	17.71	17.71
0500	17.58	17.71	17.71
0530	17.59	17.64	17.64
0600	17.59	17.58	17.58
0630	17.69	17.58	17.58
0700	21.51	17.70	17.70
0730	23.05	21.32	23.83
0800	23.36	24.50	27.09
0830	23.71	24.56	27.10
0900	25.08	29.35	32.03
0930	25.09	29.35	31.99
1000	25.10	29.35	31.99
1030	25.09	29.35	31.95
1100	24.65	26.35	28.83
1130	24.67	26.35	28.83
1200	26.10	26.35	28.83
1230	26.09	26.35	28.83
1300	25.09	26.35	28.83
1330	24.61	25.69	28.16
1400	24.37	25.69	28.17
1430	23.70	25.81	28.29
1500	23.69	25.81	28.29
1530	23.69	24.56	27.00
1600	23.70	25.81	28.29
1630	23.70	25.03	27.48
1700	24.61	25.81	28.27
1730	24.61	25.81	28.27
1800	23.36	25.81	28.28
1830	23.25	25.03	27.50
1900	23.13	23.96	26.41
1930	21.59	23.96	26.43
2000	21.59	23.38	25.84
2030	23.25	18.84	18.84
2100	23.25	22.43	24.87
2130	23.25	28.75	31.35
2200	23.25	28.75	31.36
2230	22.72	28.75	31.36
2300	21.61	23.96	26.45
2330	17.85	22.43	24.91
2400	17.76	21.32	23.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8.30am and 5.15pm Monday to Friday.

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INTERNATIONAL CAPITAL MARKETS

Sterling's stability boosts UK bond prices

By Sara Webb in London and Patrick Harverson in New York

UK government bond prices gained up to a point yesterday helped by the relative stability of sterling in the foreign exchange markets.

In the cash market, the 9¾ per cent gilt due 2002 rose from 100$\frac{18}{32}$ at the opening to 101$\frac{7}{32}$ to yield 9.51 per cent.

Dealers said volumes in the futures market were back to normal levels after the Bank Holiday weekend, with around 25,000 contracts traded. The Liffe gilt futures contract opened at 94.27 and climbed to 95.17 by late afternoon.

"The pound's steadiness against the D-Mark has helped the market," said one dealer. The pound ended at DM2.7875, up half a pfennig on the day.

■ RUMOURS that the French referendum on the Maastricht treaty might be postponed helped to boost the French government bond market.

The rumours followed a newspaper report that the constitutional court might rule that Parliament's revision to the constitution in June, as part of the Maastricht ratification process, was illegal.

However, by late afternoon it emerged that France's constitutional council had rejected an appeal by conservative opponents of the Maastricht treaty, clearing the way for the planned September 20 referendum to go ahead.

French government bonds had rallied earlier in the day

GOVERNMENT BONDS

on the grounds that a postponement of the referendum would allow more time for the government to whip up support for ratification of the treaty.

Two polls released yesterday showed a slight increase in support for the treaty with yes votes slightly outnumbering no votes. An IPSOS poll showed 53 per cent in favour of Maastricht, the clearest swing in favour of European union in recent opinion polls, while a BVA survey showed 51 per cent inclined to vote yes at the referendum.

The yield on the 8½ per cent bond due 2002 opened at 9.20 per cent and fell to 9.12 per cent by late afternoon.

Elsewhere in Europe, the German government bond market ended slightly weaker or unchanged.

Traders noted quite heavy selling of bunds but said the market held up well, with shorter-dated issues boosted by comments from Mr Reimut Jochimsen, a Bundesbank Council member, who said the German economy was showing signs of diminished economic activity.

The Liffe bund futures contract reached a high of 88.00 but ended at 87.97, against its opening of 87.96.

■ US TREASURY prices firmed slightly in thin trading yesterday as many investors and dealers chose to stay on the sidelines while awaiting tomorrow's important jobs data.

In late trading the benchmark 30-year government issue was up $\frac{1}{32}$ at 98$\frac{18}{32}$, yielding 7.361 per cent. The two-year note was also slightly firmer, up $\frac{1}{32}$ at 100$\frac{5}{32}$, to yield 4.085 per cent.

The day's main economic news was a 1.1 per cent decline in July factory orders. The market did not react to the numbers, which were heavily distorted by a fall in transportation orders. Excluding transportation, factory orders actually rose by 0.9 per cent in July.

Attention remained focused on the August employment report, which will be released tomorrow. The consensus among analysts is that the figures will show that the labour market remains in a poor state, and there was some renewed speculation yesterday that the Fed could cut interest rates again if the jobs numbers are very bad – even with a weak dollar.

■ JAPANESE government bonds ended the day mixed with long-dated issues closing firmer while medium-dated bonds slipped.

The rise in rates on three-month certificates of deposit – from 3.82 per cent to as high as 3.91 per cent – in the Tokyo trading session pulled bond prices down, dealers said. However, traders reported good demand for 10-year bonds later in the day, and the new benchmark – the No 145 – closed higher, with the yield moving from 5.04 per cent at the opening to 4.975 per cent at the end of trading.

● The constituents of the Government Secs. Index quoted in the Financial Times changed with effect from September 1. Now included are the Treasury 9¾ per cent due 2002, the Treasury 9 per cent due 2008, and the Treasury 8¾ per cent due 1997. No longer included are: Exchequer 13½ per cent due 1992, Treasury 10 per cent due 1993, and Funding 6 per cent due 1993.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.1866	-0.173	8.90	8.83	8.31
BELGIUM		8.750	06/02	97.8500	+0.200	9.09	9.02	9.09
CANADA *		8.500	04/02	108.9800	-0.500	7.19	7.13	7.46
DENMARK		9.000	11/00	95.4000	-0.050	9.83	9.75	9.52
FRANCE	BTAN	8.500	03/97	96.0268	-0.382	9.59	9.70	9.47
	OAT	8.500	11/02	95.9600	+0.340	9.11	9.13	9.06
GERMANY		8.000	07/02	100.6750	-0.020	7.90	7.89	8.10
ITALY		12.000	05/02	91.7000	-	14.02†	13.77	13.72
JAPAN	No 119	4.800	06/99	99.4644	-0.101	4.91	4.70	5.00
	No 129	6.400	03/00	108.4144	-0.202	4.88	4.65	4.95
NETHERLANDS		8.250	08/02	99.4350	-0.060	8.33	8.31	8.41
SPAIN		10.300	06/02	86.4000	-0.600	12.79	12.70	12.15
UK GILTS		10.000	11/96	100-20	+17/32	9.80	9.98	9.58
		9.750	08/02	101-17	+31/32	9.50	9.58	9.26
		9.000	10/08	98-01	+29/32	9.24	9.26	9.00
US TREASURY *		6.375	08/02	98-29	-6/32	6.52	6.41	6.62
		7.250	08/22	98-17	-2/32	7.37	7.28	7.42
ECU (French Govt)		8.500	03/02	92.3900	-0.320	9.75	9.67	9.56

London closing. *New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

D-Mark CP sector ranks fourth in Europe

By Tracy Corrigan

THE D-MARK commercial paper market has overtaken the sterling CP market to become the fourth largest such market in Europe, after France, Sweden and Spain, according to a report published this week by Moody's, the international rating agency. It has achieved this only a year and a half after its inception.

However, the report warns that the delay in removing restrictions on German money-market funds is restricting the growth rate of the DM17bn market, by limiting the potential investor base. The level of issuance tailed off in the second quarter of the year.

"In other countries, CP markets have been driven by the existence of pure money market funds, which are not yet authorised in Germany," said Mr Michael Buneman, one of the authors of the Moody's report.

In the meantime, the bulk of D-Mark commercial paper has been placed with domestic or Luxembourg-based mutual funds (which are allowed to hold a proportion, but not all, of their assets in short-term paper) and domestic insurance companies.

Moody's estimates that mutual funds hold around 30-40 per cent of current outstandings while insurance companies have a 25-30 per cent share of the market.

Other investors include companies, central banks and domestic banks. Corporates are estimated to account for a 20-25 per cent share, which has fallen since the early stages of the market, and is likely to decrease further.

There are still relatively few foreign investors apart from central banks.

However, the liberalisation of Bundesbank rules on D-Mark issuance, which came into effect on August 1, is expected to boost the proportion of foreign issuers.

The new rules allow foreign non-bank issuers direct access to the market rather than using a German subsidiary.

General Electric to enter credit card market

By Alan Friedman in New York

GENERAL ELECTRIC, the US conglomerate, yesterday unveiled plans to enter the highly competitive US credit card market.

GE Capital, the group's financial subsidiary, said it was launching a credit card, linked to the MasterCard system, that would also offer discounts to consumers through a partnership with a broad range of leading US retailers, hotels and airlines.

While the card will have all the features of MasterCard, including acceptance at 10m locations around the world, GE Capital said its distinction lay in offering annual savings of up to $1,000.

The GE Rewards MasterCard, as it is being called, offers $10 of vouchers for every $500 of purchases.

In addition, participating retailers will offer savings certificates good for a $10 discount every three months.

Cardholders are also to be offered rebates if they use the GE card to sign up for services, such as the Sprint long-distance telephone network or cable television services such as HBO and Cinemax.

Discounts will also be available if the card is used to buy GE appliances.

GE, whose activities cover the manufacturing, financial services, media and technology sectors, may have picked an awkward moment to launch its new card, which will carry an annual $25 fee. Consumer spending has been depressed for many months and credit card delinquencies have been running at high levels.

Mr Gary Wendt, chairman of GE Capital, said the card was designed to address the US consumer's shift "from conspicuous consumption to prudent purchasing".

Mr David Nissen, chairman of GE Capital's consumer financial services division, added that "this is a huge market and we believe our card is unique as a value-backed product".

GE Capital's activities in the credit card market to date involve the company's handling of marketing, issuing on behalf of third parties, collections and customer services. The company says it services 65m cardholder accounts in the US, Canada and Britain.

See Technology

Dollar bloc finds favour amid French poll unease

By Tracy Corrigan

CONTINUED unease over the prospects for European bond markets ahead of the French referendum on Maastricht later this month again shifted attention towards the dollar bloc.

Although two polls published yesterday showed a narrow majority of French voters in favour of ratifying the treaty, expectations of volatility in most European markets ahead of the vote are expected to deter banks from underwriting new issues in European currencies (except D-Marks) before the referendum.

Three deals in US, Canadian and Australian dollars dominated market activity yesterday, as investors trickled back to the market after the summer lull.

Toyota Credit Canada's C$150m five-and-a-half year deal via Merrill Lynch International was well received by

INTERNATIONAL BONDS

investors keen for a change of maturity after the recent spate of 10-year paper, despite the yield pick-up available at the longer end of the curve.

Ten-year deals for Japan Highway and Japan's Export-Import Bank of Japan have both widened slightly to a yield spread of 40 basis points over the comparable Canadian government bond yield.

The Toyota deal, priced to yield 48 basis points above the comparable government bond yield, tightened by a basis point or two by the end of the day.

In the floating-rate note sector, Norway's Eksportfinans launched a $100m issue of 10-year FRNs with a minimum coupon of 5⅛ per cent and a maximum coupon of 10 per cent.

The recent deluge of so-called "collared" paper appears to have subsided, however. The deal was arranged by Credit Suisse First Boston.

In the Australian dollar market, the State Bank of Australia launched an A$125m 10-year deal via Hambros Bank.

A spate of new issues last month was followed by a two-week lull, broken by yesterday's offering. The break had allowed excess paper to be mopped up, and, with reinvestment flows from maturing bonds at high levels, the State Bank issue was placed smoothly.

Dealers said the weakness of the Australian dollar against the D-Mark was encouraging reinvestment by German investors, unwilling to take currency losses.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
A/S Eksportfinans(b)‡†	100	(b)	100	2002	50/25bp	Credit Suisse
CANADIAN DOLLARS						
Toyota Credit Canada(a)†	150	6⅞	101.209	1998	1⅞/1⅝	Merrill Lynch Intl.
AUSTRALIAN DOLLARS						
State Bank of Sth Aust(a)†	125	9½	101	2002	2⅛/1⅜	Hambros Bank
D-MARKS						
Bayerische LFA(a)†	100	8.75	101.40	1995	1½/1	BHF Bank

†Final terms. ‡Floating rate note. a) Non-callable. b) Coupon pays ⅛% below 6-month Libor. Minimum 5⅛%, maximum 10%. Non-callable.

London Stock Exchange delays launch of system

By Tracy Corrigan

THE London Stock Exchange has postponed the launch of its London Market Datafeed (LMD) service, a live price and data feed designed to replace its Computer Readable Services (CRS).

After tests, both in-house and among market practitioners, the Stock Exchange decided to review the design and development of LMD. The system, expected to be launched this summer, will not now be available "for some considerable time," according to the exchange.

The exchange has become increasingly sensitive to potential systems failures since a software problem shut down its Topic news and information service for almost a whole trading session in June. Many institutional investors ceased to deal because of the absence of reliable share price information.

One of the marketmakers involved in testing the LMD system said his firm will be able to manage with the existing CRS feed, until the new system is launched. "We can slot in the new feed easily, when it is available," he said.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 2

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	107¼	108½	+⅛	4.78
ALBERTA PROVINCE 9 3/8 95	600	111⅛	111⅝	+⅛	5.30
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	95	96		10.02
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					
AUSTRIA 4 3/4 94	30000	100¾	101	+¼	4.16
CREDIT FONCIER 5 1/4 94	20000	101⅛	101⅜	+⅛	4.71
DENMARK 7 95	40000	105⅜	105⅞	+⅛	4.58
EIB 4 5/8 94	40000	101⅝	101⅞	+⅛	3.60
ELEC DE FRANCE 5 5/8 96	20000	103	103½	+⅛	4.80
FINLAND 6 3/4 96	50000	105⅛	105⅝	+⅛	5.09
INTER AMER DEV 7 1/4 00	30000	110⅜	111⅛	+⅛	5.49
KANSAI ELEC PWR 4 5/8 94	60000	100⅛	100⅝	+⅛	4.53
NIPPON TEL & TEL 5 7/8 96	50000	103	103½	+⅛	5.04
NORWAY 5 1/8 95	50000	101⅛	101⅝	+⅛	4.59
SNCF 6 3/4 00	30000	108	108½	+⅛	5.42
SWEDEN 5 5/8 95	20000	102	102½		4.90
WORLD BANK 6 3/4 00	50000	108¼	109	+⅛	5.30

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]					
LAND SECS 6 3/4 02 £	84	6.72	75⅜	76⅜	+43.63
LASMO 7 3/4 05 £	97	5.64	73⅝	74⅝	
MITSUI BANK 2 5/8 03	200	2332.6	70¼	72¼	+20.43
MOUNT ISA FIN 6 1/2 97	100	2.283	101¼	102¼	+9.39
OGDEN 6 02	85	39.077	85⅝	86½	+67.30
SEGA ENTERPRISES 3 1/2 96	200	13018	101¼	102¼	+40.93
SMITH & NEPHEW 4 02 £	90	1.775	125¼	126¼	+72.17
SUMITOMO BANK 3 1/8 04	300	3606.9	67½	68½	+30.44
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	94¾	95¼	+99.06
THORN EMI 5 3/4 04 £	103	7.16	119¾	120¾	+29.46

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	73	0	2
Other Fixed Interest	9	3	3
Commercial, Industrial	196	329	908
Financial & Property	55	188	556
Oil & Gas	4	18	64
Plantations	0	1	8
Mines	12	38	100
Others	39	36	42
Totals	388	613	1,683

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	–	99	91	Birkby	91		L5.25	–	7.7	–
100	F.P.	–	101	100	Broadgate Inv Trust	101		–	–	–	–
–	F.P.	–	9	7	Dartmoor Warrants	7	-1	–	–	–	–
–	F.P.	–	32	19	Dwyer A	19		–	–	–	–
–	F.P.	–	91	81	European Smaller Co's	82		–	–	–	–
–	F.P.	–	23	21	Do Warrants	22		–	–	–	–
–	F.P.	–	150	145	Flasbury Smlr Co's Zero Pf	147		–	–	–	–
100	F.P.	–	103	100	Kl'wort Endowment Policy	100		–	–	–	–
136	F.P.	–	153	143	Quality Care Homes	151		R4.0	2.3	3.5	13.4
‡	F.P.	–	495	495	SHIRESCOT	495		–	–	–	–
■	F.P.	–	1700	1700	TR Technology Units	1700		30.15	–	2.4	–
325	F.P.	–	298	274	Telegraph	281		N10.0	2.2	4.7	11.1
–	F.P.	–	14	13	Throg 1000 Smlr Co's Wts	13		–	–	–	–
–	F.P.	–	16	12½	Yorkshire TV Warrants	14	-½	–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	110p	106½p	Fulcrum Inv Tst Zero Div Pf	106½p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
10	Nil	7/10	7pm	6pm	‡Malaya	6pm	
30	Nil	14/9	1½pm	¼pm	Novo	¼pm	
31½	Nil	8/9	3pm	1pm	Worthington	1pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. v Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. O Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares. ♦ Units comprising 5 Ords. and 1 Warrant.

TRADITIONAL OPTIONS

● First Dealings Sept. 1
● Last Dealings Sept. 11
● Last Declarations Nov. 26
● For settlement Dec. 7

3-month call rate indications are also shown on this page. Calls in Gestetner, Owners Abroad, Persimmon, Psion and Tarmac. Put in Pentos.

LIFFE EQUITY OPTIONS

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Alld Lyons	500	66	77	87	4	10	12
(*553)	550	30	43	55	17	25	30
[illegible]							

Option		CALLS Nov	Feb	May	PUTS Nov	Feb	May
BAA	600	72	84	97	8	15	20
(*651)	650	38	52	67	24	34	40
[illegible]							
Brit Aero	180	47	55	56	12	18	23
(*216)	200	34	44	45	21	28	32
	220	24	34	36	35	41	45
Dixons	180	12	22	28	4½	11	14
(*188)	200	3	13	18	17	18	25

Option		CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
Eurotunnel	360	31	60	73	9	21	33
(*380)	390	15	41	59	17	37	45
[illegible]							

Calls 17,569 Puts 9,926
FT-SE Index Calls 5,631 Puts 4,396
Euro FT-SE Calls 511 Puts 384
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices

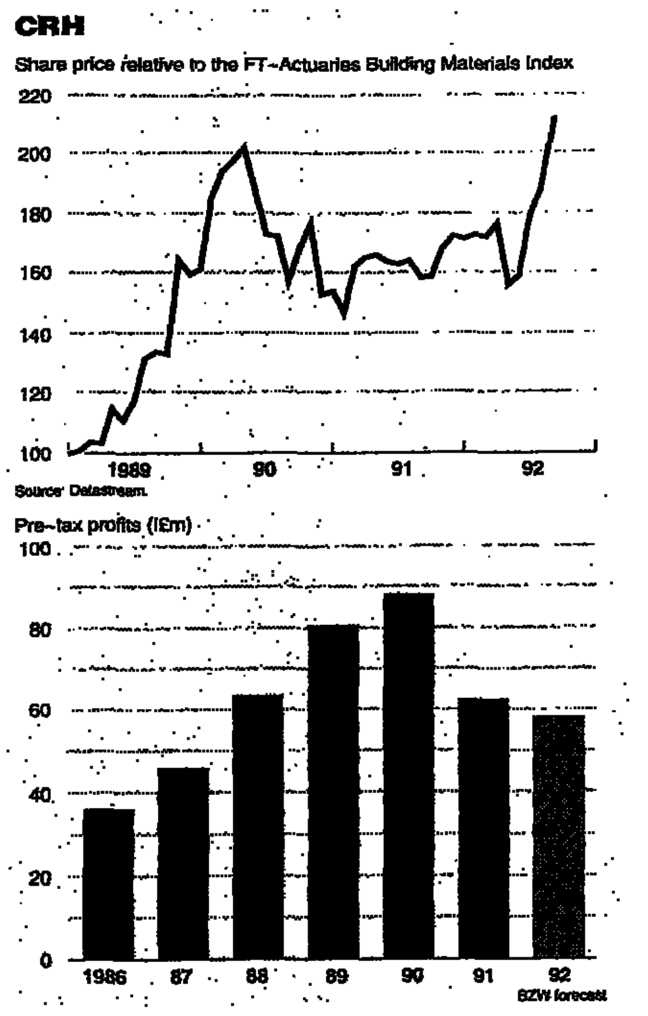
TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS			
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25		
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18		
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48		
BAT Inds	56	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	8½		
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½		
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¼		
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35		
Blue Circle	24	Gen Accident	38	NatWest Bank	28	Vickers	15	Tuskar Res	½		
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES			
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47		
Brit Aerospace	26	Grand Met	38	RHM	13	Brit Land	18				
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30				
BT	25	Hanson	18	Ratners	3	MEPC	26				
Cadburys	38	ICI	95	Reed Intl	44						

هكذا صنع الأجل

CRH up but warns on second half

By Andrew Taylor, Construction Correspondent



CRH, the international building materials group and one of Ireland's biggest companies, yesterday provided a small ray of light in what is expected to be a gloomy reporting season for the construction sector.

The announcement that pre-tax profits for the six months to June 30 had risen by 7 per cent from I£21.1m to I£22.6m (£21.4m) sent the group's share price up to 200p at one stage before falling back to close 1p up at 197p.

Mr Tony Barry, chief executive, said that market conditions in Ireland, the UK and parts of continental Europe, remained very difficult.

As a result group profits in the second half were likely to be lower than in the corresponding period last year.

The UK in particular was "a disaster area" with sales falling faster than costs could be reduced. A further 600 jobs had been cut – a workforce of just over 3,000 has been reduced by 1,200 during the past 18 months. A further small number of redundancies were likely to be made in the second half, said Mr Barry.

Turnover fell by 3 per cent to I£554m (I£571m).

Earnings per share were 7 per cent ahead at 6.17p (5.78p) and the interim dividend is increased from 2.15p to 2.25p.

The company is likely to be one of the few UK-quoted building materials groups which will be able to announce increases in both interim profits and dividends.

The first half benefited from a lower finance charge, down almost 16 per cent from I£11.8m to I£9.98m. Associate companies, mostly in the US, contributed I£553,000 compared with a loss of I£1.33m last time. This more than compensated for the reduction in trading profits to I£32m (I£34.3m).

Lower first half profits from Ireland, UK and continental Europe were offset partially by an improvement in the US where cost reduction and higher sales helped push profits higher.

Mr Barry said that a fragile recovery in US construction appeared to have begun led by increased expenditure on infrastructure by some states – notably in the north-east where CRH was strong.

Building material volumes held up in Ireland despite lower construction activity. This was due to harder times for agriculture as a result of changing EC policies on farm subsidies.

Agriculture accounts for just under a third of all construction investment in the country.

Sales in Spain had fallen by about 5 per cent as government expenditure had come under pressure and construction programmes for the Barcelona Olympics and the Seville Trade Fair had finished.

Markets in Germany, however, remained strong. Sales also held up well in the Netherlands despite lower investment in commercial building.

● **COMMENT**

CRH's share price, deservedly, has outperformed most UK rivals in a deeply depressed building materials sector. The company's strengths are its wide spread of European and US businesses combined with a healthy balance sheet. Strong cash flow has enabled it to cut debt, which, including convertible capital bonds, fell to 42 per cent of shareholders' funds in the first half compared with 60 per cent a year ago. The company has not been slow to take the axe to costs in the UK and US which should help as US construction output improves. Recovery in the UK looks a long way off; the Netherlands and Germany should remain relatively firm markets but Spain and Ireland appear weak. Pre-tax profits of I£58m for the year, compared with I£62.6m, put the company on a prospective p/e, fully diluted, of about 11, which would look cheap if sentiment were not flowing so much against the sector.

Write-down adds to Harvey Nichols' losses

By John Thornhill

HARVEY NICHOLS, the Knightsbridge store now owned by Mr Dickson Poon, the Hong Kong entrepreneur, lost £3.5m in the final 13 months of Burton Group's ownership after taking a big stock write-down.

The escalation of losses from the previous £1.6m resulted largely from a £2.8m write-down on stock as the new owners adopted a more conservative accounting policy.

The report for the period to October 3 1991 also serves as completion accounts for the £60m acquisition.

Mr Simon Gardner, Harvey Nichols' company secretary, said that historically Burton had aggregated the value of stock held – lower of cost or net realisable value – but Dickson Concepts had decided to produce a more detailed breakdown of individual stock items, leading to a heavier reduction in value.

In the first six months under new ownership, Harvey Nichols nudged into the black, although this did reflect the half of the year which included Christmas.

Dickson Concepts is locked in dispute with Burton regarding Harvey Nichols' depreciation policy and a prior year adjustment contained in the company's completion balance sheet.

The dispute has been referred to arbitrators and a decision is expected this month, although the amount claimed is less than 2 per cent of the purchase price.

Johnston Press buys Sussex publisher

By Paul Taylor

JOHNSTON PRESS, the Edinburgh-based publishing group, plans to add to its stable of newspaper titles south of the border with the acquisition of TR Beckett, the Sussex-based newspaper group which publishes seven paid-for local weekly newspapers and three free distribution titles.

Johnston, which also announced a 25 per cent increase in interim pre-tax profits to £4.85m (£3.88m), has agreed to acquire a 91.85 per cent stake in Beckett for £11.95m in cash, shares and loan notes. The remaining Beckett shareholders will be offered the same deal, valuing the company at about £13m.

Beckett shareholders include Emap, the UK media group with a 37.1 per cent stake, and the Hale family with a 15.5 per cent stake. They will receive 1.08m Johnston shares, £7.75m in cash from the proceeds of a share placement, and £1.34m in loan notes. In addition, a special dividend of £2.25m net will be paid by Beckett to its shareholders on October 1.

Johnston plans to raise the £7.75m cash through a placement of 2.5m shares at 310p each. The shares will be offered on the basis of one for every 10.7932 ordinary held. The shares closed up 5p at 333p yesterday.

Beckett's main newspaper titles include the Eastbourne Herald and Worthing Herald. Its 1991 pre-tax profits were £1.02m (£1.16m) on turnover of £9.06m (£9.51m).

The newspaper group has seen both its turnover and profit decline in recent years, a drop blamed on the recession and consequent decline in newspaper advertising revenues.

Mr Marco Chiappelli, Johnston's finance director, said that the acquisition fitted the company's strategy of steadily building up its newspaper and media interests. The group already owns 61 titles including the West Sussex County Times which was acquired shortly before the company's stock market flotation in April 1988.

Johnston's pre-tax profits increase for the six months to end-June was achieved on turnover up 7.7 per cent to £33.7m (£31.3m).

The company's cash position continued to improve and at the end of June it had net cash of £3.76m after taking account of all borrowings. As a result the company lifted the interim dividend from 2p to 2.25p. Earnings per share were 11.6p (9.4p).

Mr Fred Johnston, chairman, said the company's performance had been achieved "through a vigorous programme of cost cutting and operational improvements."

● **COMMENT**

The price paid for Beckett may look a little high but Johnston has a good track record of making newspaper acquisitions and squeezing more profits out of them. Underpinning the interim profit increase was a 31 per cent profit rise from its English titles, albeit from a depressed base. Beckett's recent results have been disappointing, but Johnston is expected to cut costs and improve margins quickly. In the longer term it may be able to combine the production facilities for the East and West Sussex titles, generating significant savings. Full-year pre-tax profits are forecast at about £9m for a prospective p/e of about 15. The shares are good value if Johnston can maintain its acquisition record.

Hartwell increases offer for Trimoco

By Jane Fuller

HARTWELL, the motor group owned by the Jameel family of Saudi Arabia, has increased its cash offer for Trimoco by just over 14 per cent to £29.6m.

It also bought 3.8m shares yesterday afternoon, taking its stake to about 42 per cent. At the first closing date on Tuesday for the original £25.9m offer, acceptances amounted to only 0.5 per cent.

Hartwell has ceased to say that its bid is only a technical one, triggered when it converted loan stock and took its ordinary holding to 39.4 per cent. The original mandatory offer of 17½p a share matched the target's market price. The increased offer is 20p.

Mr John Wei, chairman and chief executive of Hartwell, said yesterday: "This is our reaction to the hostile defence document put out by Trimoco."

The document said that Mr Wei and another Hartwell executive had been invited on to Trimoco's board early this year on the basis that the Jameel Group would reduce its stake in the company, which then stood at 23.5 per cent.

Mr Wei said "because of the acrimony in the response, there is uncertainty among the staff, the customers must be worried and the manufacturers concerned".

Hartwell claimed that the new offer was 29.9 times Trimoco's earnings for the 12 months to September 30. It added 0.14p for the second half of Trimoco's last financial year to 0.53p for the first half of this year, derived from the target's recent £1.2m profit forecast. Trimoco has said that last year's performance was depressed by restructuring costs.

Trimoco yesterday noted the increased offers.

In its earlier defence document it pointed to its net asset value of 22p a share and a pension fund surplus worth 6p a share.

Mr Wei questioned whether site valuations took account of the falling property market, and added that "it is dangerous to mix company business with the pension fund".

If the bid succeeds, the combined group would have 12 Ford dealerships, four more than the maximum allowed by the manufacturer. Mr Wei said discussions would have to continue with Ford, some of whose rules have been called into question following a Monopolies and Mergers Commission report on new car sales in the UK.

Hartwell's offers, which are final unless another party steps in, include a raised bid for the outstanding loan stock of £200 per £100 nominal, up from £175.

Trimoco's share price gained 1p to close at 20½p.

Unipart in manufacturing venture after 42% rise

By Kevin Done, Motor Industry Correspondent

UNIPART, the manufacturer and distributor of motor vehicle components and accessories, increased pre-tax profit by 42 per cent from £6.7m to £9.5m in the first half of 1992.

The company is expanding its UK manufacturing operations through a joint venture with Beans Industries, a former Rover Group engineering subsidiary, in which it will hold an 80 per cent stake.

Advanced Engineering Systems will supply machined components such as flywheels, axle housings and shafts to Toyota and Honda, the Japanese car makers. The venture will create about 100 jobs in the next two to three years.

Mr John Neill, chief executive, said the group owed much of its "growing strength" to its decision to invest in manufacturing in the UK.

Moves by Japanese vehicle makers to establish a growing manufacturing presence meant that "Britain was now one of the most attractive places in Europe for component makers to set up operations."

Despite "very difficult and deeply depressed trading in the motor industry" Unipart increased turnover in the six months to £335m (£292m).

Profit before interest rose to £9.1m (£7.2m).

The company said important improvements had been made in quality and productivity "as a result of the new style of working, where trade unions no longer have any influence over working practices."

Unipart ended trade union recognition for its 4,000 workers in April. It said that quality circles, in which employees developed their own initiatives for improving efficiency, had saved the company more than £2m in the last 12 months.

The company, formerly part of British Leyland, is 42 per cent owned by management and employees, 38 per cent by institutional investors and 20 per cent by Rover.

ML Holdings appoints new chief executive

By Daniel Green

ML Holdings, the aerospace, defence and electronic components group, appointed Mr Howard Grant as chief executive yesterday, more than two months after the departure of Mr Peter Pollock, his predecessor, on the day before the company announced a pre-tax loss of £2.24m.

Mr Grant, 51, is currently chief executive of the rail division of BTR, the engineering conglomerate.

From 1976 to 1986 he was group managing director of Westinghouse Brake and Signal (Australia), controlled by Hawker Siddeley since 1979. BTR bought Hawker last November.

Mr Grant accepted the post at ML in June, but the announcement was delayed until the closure of a contract he was negotiating for BTR.

The reshuffle came about as the company fell into loss last year, although Mr Pollock's departure was over "management style [rather] than bottom line performance", Mr Sallitt said at the time.

Mr Sallitt became chairman in March with the remit to turn the company round by strengthening its non-military businesses.

ML Holdings' shares fell 2½p to 16p.

Templeton Galbraith surges to $45m

By Norma Cohen

Templeton Galbraith & Hansberger, the Bermuda-based fund manager which agreed recently to merge with California's Franklin Resources, saw pre-tax profits surge from $33.6m to $45.2m (£22.7m) in the half-year to June 30.

The rise reflected increased funds under management, aided by sharply lower US interest rates which encouraged American investors to switch out of low-yielding cash funds into equity-based mutual fund products.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
American Trust ......int	1.5	Oct 14	1.5	-	4.8
Bowater ......int	9.7†	Nov 4	9.5	-	22
Braime (TF&JH) ......int	2.25	Oct 5	2.25	-	8.75
CRH ......int	2.25♣	Oct 7	2.15	-	6.45
EFM Income Trust....int	1.2‡	Nov 13	1.2	-	4.875
English & O'seas ......int	nil	-	0.5	-	1
Grafton ......int	2.75♣	Oct 1	2.5	-	6.25
Industrial Contl......fin	0.3	Oct 26	-	0.3	-
Invergordon ......int	2.8	Oct 5	2.5	-	6.5
Isotron ......fin	2.57	Nov 13	2.34	3.94	3.59
Johnston Press ......int	2.25	Nov 12	2	-	5.5
Page (Michael) ......int	0.6	Nov 12	0.6	-	1.8
Psion § ......int	1	Nov 6	1	-	2.4
Senior Eng ......int	1.2†	Nov 30	1.2	-	3.15
Serco ......int	4.5†	Oct 22	3.9	-	11.9

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence. ‡First quarter.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Airbreak Leisure, Barr & Wallace Arnold Trust, Burmah Castrol, City & Commercial Inv, Cons Venture Trust, Cookson, Courtaulds Textiles, Edmond, Iceland Frozen Foods, Jourdan (Thomas), Ladbroke, Merlin Intl Green Inv, Nestor-BNA, Pentos, Readymix, Reckitt & Colman, Rolls-Royce, Singer & Friedlander, T&N, Trans World Communications, Vinten, Waterford Wedgwood, Williams Hldgs, Wilson Bowden

Final- Provident Financial

FUTURE DATES

Interims-

Avonside	Sep 9
Brixton Estate	Sep 22
Haden MacLellan	Sep. 9
Hewitt	Sep. 7
Nurdin & Peacock	Sep 8
Parambe	Sep. 10
Sherwood Group	Sep. 30
Try	Sep. 18
Walmoughs	Sep. 15
Whatman	Sep 24

Finals-

BZW Convertible Inv Tst	Sep. 10
Northern Indl Improve Tst	Sep 16
Photo-Me Intl	Sep. 14

Acquisitions behind Senior's rise to £10m

By Roland Rudd

ACQUISITIONS formed the basis for progress at Senior Engineering Group in the half year to June 30.

Pre-tax profits rose 14 per cent, from £8.77m to £10m, on sales of £158m (£142m).

Mr Donald McFarlane, chairman, said: "We have remained resilient within a recession engulfing the engineering industry because we have a group of businesses spread over different countries which can weather different economic cycles."

About 40 per cent of pre-tax profits are earned overseas.

Flexonics, a US flexible hose and expansion-joint company acquired earlier this year and Nordklima, a German air handling manufacturer bought last year, were mainly responsible for the profit increase. Existing businesses reported small rises.

Mr McFarlane said construction services companies, which supply ducting and ventilation systems to large projects, would produce good profits for the year, although slightly down from its record increase in 1991.

The engineering products division, which makes rigid and flexible tubes, was hit by reduced demand. Sales in some areas declined by between 15 and 18 per cent. The group has acquired the trade and assets of Le Bas Tube, a steel-tube stockholder, for £350,000.

Control engineering, established last year to refocus the former mining equipment companies, continued to suffer from the contraction of the UK coal industry.

Thermal engineering companies produced better results in the US, offsetting reduced contributions from the UK power industry.

Mr McFarlane said: "We will continue to expand through selective acquisitions. Each one is planned with the precision of a rifle shot."

Borrowings stand at £8m, representing gearing of 8 per cent.

Earnings per share, adjusted for the effects of the rights issue in February, were 3.07p (3.02p).

The interim dividend is held at 1.2p.

GA strengthens capital base by £140m pref issue

By Richard Lapper

General Accident, the Perth-based composite insurer yesterday raised £140m via a placing of a cumulative irredeemable preference share issue. This will strengthen the company's capital base and boost its solvency margin by four points.

This marked the largest sterling denominated issue for a UK company, according to lead managers, Hoare Govett. GA announced last month that it was seeking permission to raise a total of £300m in preference shares, when announcing a sharp improvement in pre-tax profit for the first half of 1992.

The issue was priced at 2.5 percentage points over the UK government gilt-edged stock, 9 per cent Treasury 2008.

The net dividend was fixed at 8¾ per cent, representing an issue yield of 11.734 per cent. Co-lead managers were Salomon Brothers International and Henry Schroder Wagg.

Mr David Barker, a director of Hoare Govett Corporate Finance, said the issue was "satisfactory despite the current volatility of the markets."

Mr Barry Holder, general manager finance, said the issue "allows us to write more business at a time when the market is becoming more profitable".

Commercial Union raised £100m via a preference issue in May.

See Lex

COMPANY NEWS: UK

Own-label boost for Invergordon

By Philip Rawstorne

GROWING DEMAND for supermarkets' own-label Scotch whisky helped Invergordon Distillers Group lift interim pre-tax profits from £13.1m to £14.6m.

Volume sales to retailers such as Tesco and Safeway rose 12 per cent as the whisky market polarised between premium brands and value-for-money products.

Mid-priced standard brands were squeezed as sales of Scotch through pubs and clubs continued to decline, said Mr Chris Greig, managing director.

Operating profit for the six months to June 30 increased from £15.5m to £16.1m on turnover marginally ahead at £40.1m (£39.6m).

Volume sales of whisky rose 9 per cent. In the UK, volumes increased 6 per cent against a similar market decline. Exports rose 14 per cent compared with the industry's overall gain of 6 per cent.

Mr Greig dismissed fears of industry over-production. Total output during the first half of the year was some 11 per cent lower than in the corresponding period in 1990, and 7.3 per cent below last year's comparable figure.

Tony Andrews

Chris Greig: dismissed fears of industry over-production

Output from the grain distillery had been maintained at last year's level but its four malt distilleries were operating at just under 60 per cent of capacity compared with 65 per cent last year.

"This year the industry is producing substantially less than it is selling," Mr Greig said. "There is no doubt that any surplus stock will be quickly used."

White spirit products – boosted by the new joint venture distillery at Greenwich – rose 68 per cent. Invergordon, which supplies gin and vodka manufacturers, intends to introduce its own branded gin next year.

Earnings per share rose from 6.8p to 7.7p. The interim dividend is lifted to 2.8p (2.5p).

Invergordon, which last year fought off a £350m bid from Whyte & Mackay, refused to comment on the prospect of the bidder, which retains a 41 per cent stake, returning in two months' time.

Mr Greig said: "The best way to see off any predator is to perform." Apart from its trading results, he pointed out, it had cut net borrowings from £36.4m to £25.7m and reduced gearing from 85 per cent to 49 per cent in the past 12 months.

See Lex

Crown in regulatory talks on French sale

By Raymond Snoddy

MR CHRISTOPHER Chataway, chairman of Crown Communications, the USM-quoted commercial radio group, is today expected to have crucial talks with the CSA, the French radio authority, over the sale of its loss-making French radio company.

Last week Mr David Haynes, chief executive, announced that the company was close to selling the RFM network subject to CSA approval.

Crown has disclosed neither the potential buyer nor the purchase price, but it is believed that NRJ, an independent French commercial network, is bidding less than £5m for the 114-station network.

RFM's main asset is a radio masthead, valued at £12m in the September 1991 accounts. Price Waterhouse, the auditor, qualified the accounts because it could not say whether the value was fairly stated.

There is doubt whether the CSA will approve an early sale to NRJ. A previous sale proposal was rejected.

New legislation on French radio ownership is also planned and it is not clear whether the CSA would do anything that could lead to an increased concentration of ownership before the new legislation has been passed, probably next year.

To add to the complexity, renewal of RFM's Paris licence, which accounts for 75 per cent of group revenue, is up for ratification in the next seven days.

Renewal was agreed in principle several months ago.

A sale of RFM and a reduction of Crown's losses is seen as vital for the financial health of the company.

For the year to September 1991, RFM accounted for nearly half Crown's pre-tax loss of £6.79m.

Last week Mr Haynes said that LBC, Crown's London commercial radio station, would soon move into a small surplus.

Psion shares tumble as advance to £1m fails to impress City

By Alan Cane

ENCOURAGING sales of its new series 3 electronic organiser helped Psion lift profits from £270,000 to £1.05m pre-tax for the half year ended June 30.

However, the market had been hoping for £1.2m and expressed its disappointment with the USM-quoted portable computer manufacturer by knocking its share price down 21p to 93p.

The City was also disappointed with a 43 per cent improvement in first half sales to £16.5m – £18m had been expected.

Earnings per share rose to 3.16p (0.08p) and the interim dividend is held at 1p.

Mr David Potter, chairman, blamed the lower-than-expected profits on the recession which is still depressing UK sales – especially among corporate customers.

As a consequence, the HC range of portable data capture devices failed to live up to best expectations. Pre-tax profits were only 6.5 per cent of sales while 10 per cent had been anticipated.

However, Mr Potter announced two potentially significant deals.

The group is to supply Motorola of the US, the world leader in radio telephone systems, with HC computers fitted with integral radio modems. The devices will be able to transmit data over public data networks enabling, for example, sales executives to maintain contact with headquarters while travelling.

It will also supply Acorn, the UK leader in schools computers, with the series 3, modified for use by secondary school students.

Mr Potter thought the contracts would result in sales of only a few thousand machines to begin with, but that the potential for portable data communications devices was large. Analysts are predicting full year sales of £35m with pre-tax profits of about £2.5m.

Contracting-out trend helps Serco advance 37% to £3.39m

By Angus Foster

THE TREND for both government and companies to contract out non-core services lay behind a 37 per cent increase in pre-tax profits at Serco Group in the six months to June 30.

The company, which holds contracts as varied as the maintenance of Hyde Park, Ministry of Defence radars and one in three London traffic lights, increased profits from £2.48m to £3.39m on turnover up 40 per cent to £65.4m (£46.8m).

The results were boosted by two months' contribution from International Aeradio Limited, acquired in April from British Telecommunications for £12.3m.

Mr Richard White, managing director, said IAL contributed about £6m to turnover.

For the year as a whole the acquisition is expected to be earnings neutral after profits of about £800,000 are absorbed by interest costs.

Excluding IAL, the underlying business expanded at about 20 per cent, the same rate as in previous years.

"Our markets continue to be very strong," Mr White said.

The interim dividend is raised to 4.5p (3.9p).

Fully diluted earnings of 17.1p (14.8p) maintained dividend cover at 3.8 times. About 70 per cent of turnover came from the public sector.

The company's background is in defence contracts, which now account for 40 per cent of turnover, against 48 per cent a year ago.

Serco successfully retendered for one large contract during the period, while a further four or five contracts will be re-awarded in the second half.

However, less than 20 per cent of next year's expected revenues are related to contracts up for renewal.

NEWS DIGEST

ICS beats earnings forecast

INDUSTRIAL Control Services, the electronic safety systems manufacturer which obtained a listing in May, yesterday reported full year earnings slightly ahead of its prospectus forecast.

Profits for the 12 months to May 31 increased by 29 per cent to £4.6m (£3.6m) pre-tax on turnover ahead 25 per cent at £64.4m.

Earnings per share of 9.1p (7.3p) compared with the prospectus forecast of 8.9p.

Net assets at the year-end stood at £18.4m, and with the £6.6m proceeds from the flotation, gearing was reduced to 26 per cent. As foreshadowed, a special dividend of 0.3p is declared.

SelecTV rises sharply to £0.42m

Profits of SelecTV, the USM-traded independent producer of television programmes, more than doubled to £423,000 pre-tax over the 12 months to March 31.

The figure compared with £203,000 for the previous year and was struck from turnover ahead 58 per cent at £11.5m. Interest income rose to £206,000 (£94,000). Earnings per share emerged at 0.38p (0.27p).

SelecTV is a 15 per cent shareholder in Meridian, which has been awarded the Channel 3 franchise for south and south-east England.

Last November the group raised £5.6m to part fund its investment in Meridian. This resulted in a rise in shareholders' funds from £1.19m to £6.9m at end-March.

Milder winter helps Grafton advance

Grafton Group, the Dublin-based builders' merchant and DIY concern, lifted pre-tax profits 14 per cent to I£1.85m (£1.75m), in the six months to June 30.

Turnover improved to I£48.7m (I£45.7m) generating trading profits of I£2.55m (I£2.17m). Interest charges rose to I£698,000 (I£553,000).

The interim dividend is stepped up to 2.75p (2.5p), payable from earnings of 8.6p (7.5p) per share.

TF & JH Braime declines 25%

A 25 per cent fall in pre-tax profits, from £283,410 to £214,090, was announced by TF & JH Braime (Holdings), the finished metal products, forging, pressing and stamping group, for the half year to June 30.

Demand from UK customers remained at last year's depressed levels, the company said. In such circumstances the performance of Braime Pressings, the core business, had been "satisfactory."

However, overseas demand, particularly in the US and France, fell substantially.

Turnover dropped to £2.78m (£3.51m). Investment income added £75,677 (£59,165) but there were interest charges this time of £17,408 (nil).

Earnings emerged at 9.65p (12.87p) and the interim dividend is maintained at 2.25p.

Bowthorpe expands environmental side

In a move to strengthen its position in the environmental monitoring market, Bowthorpe has acquired Odessa Engineering of Austin, Texas, for a maximum $14m (£7m).

Consideration consists of an initial $10m cash. A deferred payment of no more than $4m is due on March 31 1994, linked to trading performance.

Odessa develops electronic data acquisition and control systems for air quality and atmospheric emission monitoring.

English & O'seas Props cuts deficit

English & Overseas Properties cut its losses from £554,000 to £438,000 pre-tax for the half year ended June 30. Turnover improved from £575,000 to £792,000.

Profits were struck after taking account of property writedowns totalling £659,000. Directors said they hoped to avoid the need for further provisions at the year-end.

They pointed out, however, that as a consequence of the first-half provision distributable reserves were not sufficient to enable payment of the interim dividend – 0.6p was paid previously.

The company, together with its advisers, was investigating ways to reorganise its capital and reserves to overcome this problem. It hoped to be "able to re-address the payment of a dividend" at the year-end.

The cash position was described as "very strong," with balances of some £5m.

Losses per share were cut from 9.46p to 1.88p. Exceptional provisions for the corresponding six months accounted for £675,000.

Cambridge issues profits warning

Cambridge Group, the Dublin-based asset financing and confirming company, yesterday warned that current year profits would fall short of the I£5.02m (£4.75m) recorded in the 12 months to February 29 1992.

Directors blamed the economic downturn, closure costs – two of the group's operating locations are to be closed – and investment in management and support systems.

London Wall £1m down at nine months

London Wall Holdings, an underwriting agency at Lloyd's, suffered a fall in profits from £1.45m to £445,000 pre-tax over the nine months to June 30.

Turnover of £3.28m (£4.86m) was made up as to agency fees £2.59m (£2.64m), profit commission £615,000 (£2.16m), other commission £25,000 (£24,000) and investment management fees £44,000 (£32,000).

Earnings per share emerged at 6.51p (16.15p).

The shares are traded on the over-the-counter market.

Beckenham reduces debt further

Beckenham Group, USM-quoted engineer, said that its arbitration proceedings against British Telecommunications had been settled as to the sum of £2.25m. Together with the proceeds of the recent £1.9m rights issue, bank borrowings are reduced to about £3m.

Cussins Property back in the black

A return to profits in the first half to end-June was reported by Cussins Property Group, the Newcastle-based contracting and construction group.

Profit on ordinary activities before tax was £437,000, against a restated loss of £271,000.

The outcome was achieved on turnover up from £7.22m to £8.08m and was struck after reduced interest charges of £355,000 (£1.05m).

Mr Peter Cussins, chairman, said the core north-east housebuilding business was performing well and the current level of reservations promised further improvements in the second half.

Peter Cussins: borrowings continue to be reduced

Borrowings and overheads continued to be reduced, he said, while asset sales were being achieved despite the difficult market.

Earnings per share came out at 3p (3p losses). Mr Cussins said the restoration of the dividend was dependent upon the elimination of the deficit on distributable reserves, which currently stood at £1.43m.

The sale of the Denmark Centre for £3.2m would eliminate £785,000 of the deficit, he added.

ICI in £45m Diprivan expansion

Imperial Chemical Industries is proceeding with a £45m expansion of its production site near Milan. The move reflects the success of Diprivan, its injectable anaesthetic.

The investment project at ICI-Pharma at Caponago will approximately double capacity and increase flexibility in the manufacture of Diprivan. The project, due for completion in late 1994, involves the purchase of 13,000 sq m of land.

Isotron recovers in second half

Profits before tax of Isotron, the Wiltshire-based irradiation service company, amounted to £2.74m for the year to June 30, a fall of just 2.5 per cent on last time's £2.81m.

Earnings worked through at 14.8p (15.1p) and a final dividend of 2.57p makes a 3.94p (3.59p) total.

Mr Colin Clive, chairman, said the group ended the year with a strong balance sheet, nil debt and cash of £3.8m.

Michael Page falls to £1.3m

Pre-tax profits of Michael Page Group, the recruitment agency, fell from £2.09m to £1.29m for the half year ended June 30. Turnover was virtually static at £21.3m.

Although the directors do not envisage any improvement in trading conditions, the interim dividend is held at 0.6p, payable from earnings of 1.36p (2.13p) per share.

Operating profits of the UK executive recruitment businesses rose marginally, primarily as a result of increased market share.

Operating profits in France and the Benelux countries fell by 40 per cent and 45 per cent respectively following a significant downturn in employment markets. The German subsidiary, established in July 1991, traded at break-even.

Tomkins dividend rise incentive

Tomkins said yesterday that it planned to increase the interim and final dividends on its ordinary shares for the year to May 1 1993 by not less than 7.5 per cent.

The industrial conglomerate wants holders of its 5.6 per cent cumulative convertible redeemable preference shares to convert into ordinary shares.

The total dividend for the year to May 2 was 11.34p.

Morgan Crucible £10m purchases

Morgan Crucible has completed five acquisitions costing a total £10.3m. The companies are expected to achieve a combined annual operating profit of more than £2.5m.

The companies acquired are the Lodge ceramics division of Smiths Industries, a majority interest in Refractories and Mineral Investments BV, the clean room wipes business and related assets of Coventry Manufacturing of Los Angeles, Epirez of Australia, a manufacturer of speciality chemicals, and the cutting fluid business and related assets of Tapmatic Corporation of California.

American Trust net asset value off 5%

The net asset value of American Trust stood at 200.5p at July 31 – a decline of some 5 per cent on the 210.3p of 12 months earlier.

The trust, managed by Edinburgh Fund Managers, saw attributable revenue for the six months to end-July fall to £1.99m (£2.07m) for earnings of 2.41p (2.51p) per share, a decline which partly reflected a less favourable dollar/sterling rate.

The interim dividend is maintained at 1.5p.

Cakebread Robey losses deepen

Cakebread Robey, the Middlesex-based builders merchant, has announced a drop of 8.8 per cent in turnover to £11.39m for the first half of 1992, and an increased pre-tax loss of £667,000. The loss for the whole of 1991 was £1.65m following a first half deficit of £191,000.

The loss was struck after redundancy costs of £56,000. There is again no dividend.

Recession caused merchanting sales to fall by a further 7.9 per cent and bad debts at £178,000 for the half year are already well above the previous year's total. Manufacturing turnover fell by 14 per cent.

COMPANY NEWS IN BRIEF

AJ ARCHER Holdings is to acquire Kellett (Holdings), which manages three Lloyd's syndicates. Under the proposals shareholders will receive up to 2.25m paid-up Archer shares and a deferred profits-related cash consideration.

CAVERDALE GROUP: Some 21.3m ordinary shares have been taken up, representing about 60 per cent of its rights issue. The balance has been allotted to sub-underwriters.

CHANNEL HOLDINGS: Recent rights issue taken up in respect of 900,681 new shares (some 30.71 per cent of issue). Balance of 2.03m subscribed for by sub-underwriters.

COUNTY SMALLER Companies Investment Trust: Net asset value 93.69p per share at June 30. Earnings per share for period from incorporation on April 10 1991 to end-June 1992 worked through at 3.17p.

EFM INCOME Trust: Net asset value at July 31 was 34.8p (47.5p) per share and 40.1p (39.1p) per zero dividend preference share. Earnings per share 1.5p (2.5p) for three months to end-July. First interim dividend maintained at 1.2p.

GARTMORE AMERICAN Securities: Net asset value 29.7p at June 30, down from 35.2p a year earlier. Earnings per share for the three months to end-June 0.16p (0.88p). As already announced, first interim dividend maintained at 1p.

MADDOX GROUP has received acceptances for 16.9m ordinary shares in its open offer of up to 180m shares at 5p each. These shares, together with 59.9m ordinary shares which were firmly placed, amounts to about 37 per cent of the 206m shares conditionally placed at 8p each in connection with the acquisition of Wakebourne Group Holdings.

GARTMORE VALUE Investments: Net asset value 10.4p at July 31, against 27.4p a year earlier. Earnings per share for three months to end-July 0.6p (0.8p). As already announced, first interim dividend raised to 0.9525p (0.925p).

INGHAM has conditionally agreed to buy Transtar International Group, together with the 50 per cent of MG Parts Distributors and Adpart not already owned by Transtar, for an initial payment of £3.1m, with a further profits-related amount up to £1.9m.

PEEK is buying Gemo, a Norwegian traffic control company, for about £431,000, satisfied by £279,000 cash and the balance in shares.

Bush's subsidy boost lifts Chicago wheat market

By George Graham in Washington

CHICAGO WHEAT futures rose yesterday after President George Bush announced a $1bn expansion of US subsidies for wheat exports. In late trading the December contracted was 5 cents ahead at 342¾ cents a bushel.

President Bush told farmers at an election rally in South Dakota that he would offer subsidies for 30m tonnes of wheat under the Export Enhancement Program and announced his approval of $755m of emergency disaster aid for farmers.

The disaster aid was approved by congress nearly a year ago, and will benefit not only Florida and Louisiana farmers hit last month by Hurricane Andrew but those affected by frosts and floods earlier this year. It will also cover unpaid crop loss claims from 1990 and 1991.

White House officials said the wheat export subsidies would be aimed at winning markets in 28 countries, with China and the former Soviet republics at the top of the list. Indeed, Russian officials were in Washington yesterday to discuss possible credits for grain purchases.

Other countries targeted include South Africa, India, Yemen, Poland and Brazil.

The expansion of the US export subsidy programme drew criticism from other grain-exporting nations. Some officials complained that Mr Bush appeared to be torpedoing attempts to complete the Uruguay Round of talks on revising the General Agreement on Tariffs and Trade, which has sought to eliminate agricultural export subsidies.

"We deeply regret that domestic political pressures have overridden a US commitment to the pursuit of a less corrupted international trading environment for farm products," said Mr Paul Keating, prime minister of Australia.

Light thrown on gold mystery

By Kenneth Gooding

INTERNATIONAL MONETARY Fund statistics just released throw fresh light on the mystery of how Belgium's central bank earlier this year disposed of 202 tonnes of gold from its reserves – equivalent to 11 per cent of annual output from all the western world's gold mines.

It appears that the Bank of International Settlements, commonly known as the "central bankers' banker," helped Belgium sell the gold through the market over a period of time.

The Belgian gold sale, revealed in June, raised fears that other central banks might follow suit, with a potentially devastating impact on the gold price.

One senior bullion dealer said yesterday of the new evidence provided by the IMF: "You could choose to view the sales as bullish, as the market appears to have absorbed the gold. Or it could be the nudging open of the central bank flood gates, which would be overwhelmingly bearish".

An analysis of the latest IMF figures by Reuter appears to support the theory that central banks are gradually selling down their gold holdings. It shows that central bank gold reserves have fallen to their lowest level since at least 1961. At the end of June reserves stood at 35,344 tonnes.

However, some dealers pointed out that the statistics provide only a "snapshot" of the situation at a particular moment and that the IMF figures could not be wholly reliable because the fund took reports from its members on trust. "The IMF misses a lot," said one trader.

Nevertheless, the IMF data gives a clear picture of the Belgian gold sale via the BIS. In the space of one month – between April and May – there was an unprecedented fall of 133 tonnes in the BIS gold reserves. There was a smaller, 27-tonne, drop between March and April, a month when the gold price was "fixed" in London at a six-year low of $334.75 an ounce.

BIS gold stocks, which fell to a record low level of only 43 tonnes in May, rebounded to 220 tonnes in June.

Meanwhile, Belgian gold reserves fell by 202 tonnes between May and June. There was no corresponding rise in the reserves of other central banks, indicating that the sales had mostly been absorbed into the market rather than taken on to another bank's books.

Dealers said all this suggested that Belgium had given the BIS early warning that it wanted to sell its gold and that the BIS had dribbled the metal through the market over a period of time which it was still impossible to estimate. Once the gold had been sold, the BIS topped up its reserves with the Belgian gold.

As for the implications for the gold price, Mr Andy Smith, analyst at Union Bank of Switzerland, said last night: "This is cold coffee because the market reacted to the Belgian announcement in June by going better. There is nothing in the IMF statistics to produce an immediate price reaction. But the market will still want to cogitate about the longer-term considerations."

Central Bank holdings are still equivalent to about 12.5 years' gold demand.

Iran offers oil routes to ex-Soviet states

By Cherry Mosteshar in *Tehran*

Mr GHOLAMREZA Aghazadeh, the Iranian oil minister, promised this week that Iran would provide routes to the oil market for the newly independent republics of central Asia and the Caucasus.

He told energy officials and experts gathered in Tehran for a two-day conference on Energy Co-operation in Central Asia and the Caucasus that Iran was ready to put its experience and expertise at their disposal.

Iran's strategic position means it can offer these republics a cheap and direct route for their oil and gas on to the European market. Experts at the conference predicted, however, that it would be at least ten years before the necessary infrastructure was in place.

Mr Abbas Maleki, Iran's deputy foreign minister for science and research, said: "The republics of central Asia and the Caucasus, despite having vast energy resources, suffer from a lack of energy. They cannot even meet their own needs, because they do not have the technology to exploit the large oil, gas and coal reserves".

The oil-rich states of central Asia and the Caucasus – Kazakhstan, Azerbaijan, Turkmenistan, Ukraine and Uzbekistan – now produce 900,000 barrels a day. However, they need 1m b/d just to meet their own needs. Azerbaijan consumes 50,000 b/d but only produces 25,000 b/d.

Kiwi fruit on menu for starving NZ sheep

By Terry Hall in Wellington

STARVING SHEEP and lambs on the South Island's Canterbury Plains have something new on the menu: kiwi fruit.

The sheep are the survivors of freak weekend blizzards, the worst for 50 years, which blanketed much of the plains with metres of snow, and is only now starting to thaw.

Kiwi fruit farmers in the North Island are sending 11,000 tonnes of produce that is not considered good enough for export to the South Island as extra feed for the sheep. The farmers have been told that the kiwi fruit will be good for the survivors, as it contains high levels of sugar to help rebuild their strength.

"The sheep enjoy kiwi fruit, but farmers will have to be careful to spread them around their fields. Too many kiwi fruit at once could be harmful for a sheep," a government farm advisory officer said.

Hundreds of railway wagons and trucks are taking hay and silage to the South Island farmers, many of whom face financial ruin because of the blizzards that struck while the sheep were having their lambs. A Federated Farmers' official said yesterday that despite the shipments of hay, silage and kiwi fruit, many of the remaining stock were starving, and more was needed.

Most South Island farmers rely on sheep for their livelihood; their wool and meat are among New Zealand's major exports. Farmers' losses from the storms in Canterbury, the worst for 50 years, have been estimated at $NZ60m (£16m).

In the neighbouring provinces of Otago and Southland, which missed the worst of the snowstorms, farmers also face losses put at NZ$50m.

Weeks of cold, wet weather have turned the region's normally lush pastures into mud, and low temperatures have stunted grass growth.

The huge lamb losses are causing serious concerns at the effect on the export trade to Britain over the next two seasons as it is expected many farmers will hold back stock in an effort to rebuild their flocks.

There is also concern that South Island meat processing companies will be to bid up prices for stock to keep their factories operating. Fierce competition among processing companies for sheep last season pushed prices rose so high that companies were reported to be making a loss on the stock they purchased.

Demand growth forecast for copper

By Kenneth Gooding, Mining Correspondent

COPPER DEMAND is almost wholly insensitive to price because nearly all of the metal's uses are determined by technical rather than economic considerations, says the Commodities Research Unit consultancy group in a report today.

Its analysis shows that copper gained markets in the late 1980s when metal's price was relatively high.

The report concludes that the copper industry can look forward to "years of sustained demand growth, capacity constraints and profitable mining".

Copper's price must remain above 90 cents a lb in the long term as this is the level that will encourage mining companies to go ahead with projects at present under consideration, the CRU suggests.

It claims the study breaks new ground by presenting data and analysing copper consumption by end-use sector in the developing countries, as had previously been done for the developed world. The report provides guidance for copper fabricators as well as mining companies preparing their strategies for the next decade.

Copper's growth prospects are underpinned by the developing countries of south east Asia, India, China and Latin America, according to the report. Although these areas account for only 18 per cent of western world copper consumption at present, more than 60 per cent of the expected increase in demand will come from them in future.

Refined copper consumption in these areas will grow at nearly 5 per cent a year in the period to 2005, suggests the CRU, whereas growth will be only 1 per cent in the developed world and 2.1 per cent for the western world as a whole.

The Long Term Outlook for Copper Demand and Price, £17,750 from the CRU, 31 Mount Pleasant, London WC1X 0AD, UK.

Bolivia waits for $35m mining credit

By Chris Philipsborn

THE WORLD Bank is to release a $35m credit to the Bolivian mining industry over the next two weeks according to Mr Jorge P. Quiroga, the Bolivian finance minister.

A mission from the World Bank is in Bolivia to discuss recent changes within Comibol, the state mining corporation. These include the replacement of the corporation's president, Mr Alberto Ono Villegas by Dr Marcelo Perez Monasterios and the announcement of a radical redundancy programme. Negotiations are likely to continue into next week, according to Comibol officials.

The World Bank has been withholding the credit, $22m of which was earmarked for the restructuring of Comibol, until the corporation speeded up the joint venture process and slimmed down its bureaucracy. As far as Comibol's long term prospects are concerned, Bolivian planning minister Mr Samuel Doria Medina says he believes the country's constitution will be changed within the next year to allow the corporation's full privatisation.

However, a more immediate stumbling block to the release of the World Bank credit is the decision by Comibol this week to reject a joint venture deal with Minera Tiwanacu concerning the Bolivar mine.

The deal was widely expected to be finalised by the end of this month. In rejecting the deal, Bolivian mining minister Mr Alvaro Rejas said Tiwanacu's plan to build a concentrate plant at nearby Poopo, rather than on the site of the Bolivar mine, was "unsuitable".

Industry representative say, however, that the Tiwanacu deal was turned down because of parliamentary pressure on Comibol's board and discrepancies in Tiwanacu's bid.

In addition, the original contract specifications sent out by Comibol were widely condemned as too imprecise. Tiwanacu is the third company to have attempted a joint venture deal for the Bolivar mine. New invitations to tender for the mine have been issued.

EC fish deficit widens as demand increases

By David Blackwell

THE EUROPEAN Community is becoming less self-sufficient in fish and shellfish at a time of rising consumption, according to a report from Frost & Sullivan, the international market research organisation.

Landings of fish for human consumption are forecast to rise from 3.96m tonnes in 1990 to 4.18m tonnes in 1996 after touching a low of 3.95m tonnes this year. This compares with consumption of 4.94m tonnes in 1990, rising to 5.32m tonnes in 1996.

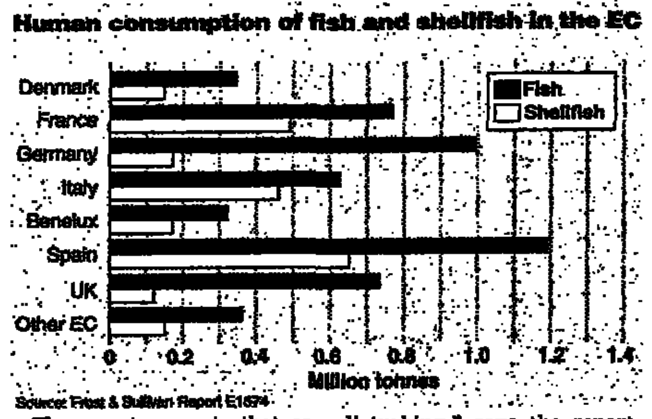
The retail value of the EC fish market is expected to reach $22.4bn in 1996, compared with $20.8bn in 1990.

Shellfish landings totalled only 1.33m tonnes in 1990 out of a total world catch of 98m tonnes. EC landings are expected to rise to 1.52m tonnes in 1996, when consumption is expected to be 2.35m tonnes, up from 1990's 1.92m tonnes.

Fish farming is expected to be supplying the market with 372,000 tonnes of fish and 760,000 tonnes of shellfish in 1996, compared with 263,000 tonnes and 656,000 tonnes respectively in 1990.

Until 1988 the EC was self-sufficient in fish and shellfish. The report points out that it can still be argued that the EC lands enough fish to support itself, as only 65 per cent of the total 1990 catch of 10.6m tonnes in 1990 went for human consumption.

Human consumption of fish and shellfish in the EC



Source: Frost & Sullivan Report E1574

The report suggests that as supplies of common varieties such as cod, herring and mackerel fail to meet demand, consumers are being forced to eat less common varieties which would previously have gone for processing into fish meal and other industrial purposes.

"The EC figures, as a percentage of the world catch, are disturbing," says the report. "This is not just because they are low, but because the trend has remained negative despite aquaculture progress."

The European Market for Fish, Farmed Fish and Associated Products. Price $3,000, from Frost and Sullivan Ltd., Sullivan House, 4 Grosvenor Gardens London SW1 OHD.

Canadian company joins leaders in methanol market

By Robert Gibbens in Montreal

A CANADIAN company indirectly controlled by Metallgesellschaft of Germany has quietly become a leader in the world methanol market.

Methanol demand is expected to grow deeply this decade, especially in north America, since it is a base material for cleaner transport fuels.

Methanex, based in Calgary and controlled through the German multinational's US arm, last year bought a new methanol plant in British Columbia from Ocelot Industries.

Now, in agreements totalling US$222m, it will become one of the world's top four methanol producers in partnership with Germany's Hoechst and American Cyanamid, with 1.4m tonnes production capacity and the marketing of another 1.6 tonnes. All Metallgesellschaft's worldwide methanol business will come under Methanex in Calgary. The main market will be the US because of the Clean Air Act's rising standards. Methanol is made from natural gas and is a key component of MTBE (methyl tertiary butyl ether). MTBE, when added to petrol, reduces carbon monoxide emissions.

Methanex will contribute US$70m to restart an idle Hoechst methanol plant in Texas in return for a 49 per cent ownership stake. Production of 600,000 tonnes yearly will be shared by the partners.

Also Methanex puts up US$97m to convert a Cyanamid ammonia plant at New Orleans to methanol, for a 70 per cent ownership stake.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD closed around the day's lows on the London bullion market. The recent failure of two attempts to breach resistance around $343 a troy ounce prompted a test of the downside. The market failed to derive much support from the continued weakness of the dollar. Comex gold futures were lower at midday on selling linked to the market's weak technical position and general lack of investor demand. London **COCOA**, supported by a firmer New York market, edged back into the plus column in the afternoon in a mild correction to Tuesday's sharp fall, while robusta **COFFEE** also extended gains as New York's December arabica contract broke through key resistance at 55.70 cents a lb in early trading. The New York gains were on technically driven fund and commission house buying, but analysts said coffee's downtrend was still intact. On the LME, most **BASE METALS**, apart from nickel, spent the day in narrow trading ranges. Bargain hunting purchases on dips, particularly due to the weaker dollar, were met by hedge selling on rallies. But the pace of trading was slow and markets were thin. **NICKEL** broke below the bottom end of its recent trading range.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$18.05-10	+0.15
Brent Blend (dated)	$19.95-2.00	+.125
Brent Blend (Oct)	$20.10-15	+0.10
W.T.I (1 pm est)	$21.65-75	+.125
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$219-221	
Gas Oil	$182-183	
Heavy Fuel Oil	$84-86	
Naphtha	$196-197	+0.5
Petroleum Argus Estimates.		
Other		**+ or -**
Gold (per troy oz)♣	$339.30	-3.15
Silver (per troy oz)♣	370.5c	-5.0
Platinum (per troy oz)	$355.75	-4.50
Palladium (per troy oz)	$87.2	-0.1
Copper (US Producer)	115.5c	+0.5
Lead (US Producer)	39.4c	-0.7
Tin (Kuala Lumpur market)	16.76r	
Tin (New York)	315.50c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.12p	-0.36*
Sheep (live weight)†♠	72.51p	-1.23*
Pigs (live weight)†	81.31p	+0.41*
London daily sugar (raw)	$250.00w	-6.0
London daily sugar (white)	$274.50w	-4.2
Tate and Lyle export price	£232.50	-4.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq	
Rubber (Oct)♥	49.50p	-0.25
Rubber (Nov)♥	49.50p	-0.25
Rubber (KL RSS No 1 Jul)	216.0m	
Coconut oil (Philippines)§	$502.5t	-22.5
Palm Oil (Malaysian)§	$395.0y	+5.0
Copra (Philippines)§	$325.0	-5
Soyabeans (US)	£131.0z	
Cotton "A" Index	57.00c	-0.05
Wooltops (64s Super)	364p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg. t-Oct/Nov w-Aug/Sep y-Sep d-Oct. z-Nov. †Meat Commission average latstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	200.00	207 00	201.00	200.00
Dec	197.00	197.00	197.00	
Mar	190.20	198.40	194.50	
May	194.60	198.40	194.60	
White	**Close**	**Previous**	**High/Low**	
Oct	258.00	259.30	258.90	257.50
Dec	252.50	254.30	254.00	252.50
Mar	255.50	257.00	256.00	255.00
May	258.00	259.60	259.10	257.70
Aug	262.60	263.60	264.10	262.80
Oct	254.40	254.60	254.40	

Turnover: Raw 138 (70) lots of 50 tonnes. White 1457 (1069) Paris- White (FFr per tonne): Oct 1225.80 Dec 1218.39

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Oct	20.13	20.13	20.20	20.08
Nov	20.14	20.16	20.21	20.10
Dec	20 15	20 17	20.20	20.10
Jan	20.08	20.10	20.10	20.04
Feb	19.98	19.99	19.92	
IPE Index	20.04	19.81	20.04	

Turnover 17875 (26533)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Sep	182.00	181.75	182.50	181.50
Oct	186.25	185.75	186.75	185.50
Nov	189.00	188.75	189.50	188.50
Dec	191.25	191.00	191.50	190.50
Jan	191.25	191.00	191 50	190.50
Feb	187.75	188.00	188.25	187.75
Mar	184.00	183.00	184.50	183.50
Apr	180.25	179 50	181.00	180.00
May	178.50	178.75	179.25	178.50

Turnover 19012 (14455) lots of 100 tonnes

WOOL

Wool is selling very well in Australia at firm prices. Clearances are over 90pc and this is in a week when offerings are high. Holidays are now virtually finished and this could be helping to keep up demand. The currency situation is of importance all around the world. Wool priced in the US or the closely associated Australian dollar is firm in price and historically not very cheap in terms of sterling and European currencies it has been easing and is cheap - getting quite close to the low points registered last season. Apart from currency volatility, and the short-term outlook for it, recession is keeping the wool trade subdued

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Sep	583	578	586	575
Dec	612	608	612	600
Mar	643	637	643	632
May	661	655	661	652
Jul	677	675	678	671
Sep	696	693	696	688
Dec	720	719	722	714
Mar	749	745	750	741
May	771	767	772	760
Jul	780	785	780	

Turnover: 7092 (5533) lots of 10 tonnes
ICCO Indicator prices (SDRs per tonne). Daily price for Sep 1 780.20 (805.69) 10 day average for Sep 2 814.93 (817.50)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Sep	749	733	750	735
Nov	779	757	780	760
Jan	791	769	791	772
Mar	802	780	802	786
May	800	792	805	797
Jul	818	810	816	

Turnover:3348 (2942) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for Sep 1: Comp. daily 46.38 (46.15) 15 day average 45.47 (45.46)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	60 5	61.5	61.5	60.3

Turnover 69 (23) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	119.00	118.50	119.00
Feb	121.00	120.50	121.00

Turnover 40 (40) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Sep	1100	1100	1100	1099
Oct	1185	1170	1185	1165
Nov	1178	1170	1185	1169
Jan	1220	1213	1220	1210
Apr	1275	1270	1275	
Jul	1125	1110	1125	
Oct	1292	1285	1292	
BFI	1064	1069		

Turnover 141 (265)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Sep	113.60	113.25	113.50	
Nov	115.75	115.95	116.05	115.75
Jan	119.35	119.40	119.60	119.35
Mar	122.45	122 35	122.60	122.45
May	125.55	125.60	125.70	125.55
Jun	126.80		126.80	
Barley	**Close**	**Previous**	**High/Low**	
Sep	109.25		109.25	
Nov	112.90		113 00	112.90
Jan	116.85		116.85	

Turnover: Wheat 148 (126). Barley 41 (0)
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	105 8		105.8
Nov	105.0	105 5	105.0
Feb	99 8		99 8

Turnover 8 (2) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	High/Low	AM Official	Kerb close	Open Interest		
Aluminium,99.7% purity ($ per tonne)						Total daily turnover 27,388 lots
Cash	1296.5-7	1294.5-5.5	1298/1298	1297-7.5		
3 months	1320.5-1	1318.5-9.0	1323/1318	1321-1.5	1319.5-20	174,522 lots
Copper, Grade A (£ per tonne)						Total daily turnover 35,590 lots
Cash	1245-6	1249.5-50.5	1248/1245.5	1245.5-6		
3 months	1272-3	1275-5.5	1273/1270	1271-1.5	1273-3.5	147,791 lots
Lead (£ per tonne)						Total daily turnover 3,830 lots
Cash	325-6	332-3	324/324	323-4		
3 months	333-3.5	337-8	334/328	331-2	332-3	28,938 lots
Nickel ($ per tonne)						Total daily turnover 13,933 lots
Cash	7145-55	7190-200	7153/7152	7152-4		
3 months	7225-30	7270-5	7265/7210	7235-40	7210-15	26,621 lots
Tin ($ per tonne)						Total daily turnover 2,528 lots
Cash	6865-65	6830-40	6873/6873	6873-5		
3 months	6880-5	6855-65	6910/6835	6885-90	6855-60	11,412 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 13,680 lots
Cash	1403-5	1408-10		1411.5-2		
3 months	1370-1	1369-70	1374/1366	1372-2.5	1371-2	64,775 lots

LME Closing £/$ rate:
SPOT: 2.0043 3 months: 1.9708 6 months: 1.9315 9 months: 1.8735

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	339.10-339.50	
Opening	338.90-339.30	
Morning fix	340.40	169.843
Afternoon fix	340.45	169.716
Day's high	341.00-341.30	
Day's low	338.10-338.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.75	6 months	2.72
2 months	2.72	12 months	2.75
3 months	2.72		

Silver fix	p/troy oz	US cts equiv
Spot	185.25	372.00
3 months	190 00	375.05
6 months	195.15	378.55
12 months	205.45	385.90

GOLD COINS

	$ price	£ equivalent
Krugerrand	340.00-341.00	171.00-172.00
Maple leaf	348.55-350.80	-
New Sovereign	82.00-84.00	41.00-42.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1250	62	92	3	10
1300	25	57	16	24
1350	6	31	46	48
Copper (Grade A)	**Calls**		**Puts**	
2500	40	66	33	70
2550	18	45	62	99
2600	8	30	100	133
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
700	87	104	8	12
750	52	68	23	12
800	27	42	48	50
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
600	36	69	25	27
650	16	43	55	51
700	7	26	96	84
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
2000	29	56	16	36
2050	6	34		
2100	1			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	338.5	340.8	0	0
Oct	339.4	341.7	341.7	338.8
Nov	340.2	342.5	0	0
Dec	341.1	343.4	343.4	340.3
Feb	342.8	345.1	345.1	342.6
Apr	344.5	346.8	346.0	344.6
Jun	346.3	348.6	0	0
Aug	348.1	350.4	0	0
Oct	350.0	352.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	354.0	357.7	356.5	353.6
Jan	350.6	354.0	353.0	351.0
Apr	350.6	354.0	354.0	354.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	369.2	371.4	371.0	368.5
Oct	370.0	372.2	0	0
Nov	371.0	373.2	0	0
Dec	372.7	375.0	374.5	372.0
Jan	374.0	376.3	0	0
Mar	376.5	378.8	376.0	375.5
May	379.1	381.5	0	0
Jul	381.6	384.1	384.0	382.0
Sep	384.3	386.9	0	0
Dec	388.6	391.2	391.0	390.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	111.20	111.20	111.60	111.00
Oct	111.65	111.85	111.65	111.65
Nov	112.05	112.10	0	0
Dec	112.45	112.60	112.90	112.30
Jan	112.40	112.45	112.40	112.40
Feb	112.26	112.30	0	0
Mar	112.15	112.25	112.50	112.05
Apr	111.40	111.50	0	0
May	111.25	111.35	0	0
Jun	110.60	110.70	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Oct	21.69	21.64	21.77	21.56
Nov	21.53	21.48	21.61	21.44
Dec	21.44	21.41	21.52	21.37
Jan	21.33	21.30	21.40	21.26
Feb	21.22	21.19	21.28	21.17
Mar	21.12	21.09	21 18	21.08
Apr	21.01	20.96	21.04	20.98
May	20.90	20.87	20 94	20 87
Jun	20.80	20.77	20.83	20.77
Jul	20.71	20.68	20.78	20 68

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Oct	60.65	61.17	61.20	60.60
Nov	61.70	62.15	62.10	61.60
Dec	62.80	63.25	63.10	62.70
Jan	63.25	63.85	63.55	63.10
Feb	62.25	62.50	62.45	62.25
Mar	60.25	60.43	60.50	60.40
Apr	58.40	58.53	58.40	58.40
May	57.05	57.20	57.30	57.10
Jun	56.20	56.33	56.50	56.50
Jul	56.00	56.13	56.40	56.25

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1034	1000	1015	1010
Dec	1076	1044	1078	1042
Mar	1127	1097	1128	1095
May	1156	1125	1158	1158
Jul	1185	1154	0	0
Sep	1212	1184	0	0
Dec	1248	1224	0	0
Mar	1283	1259	0	0
May	1309	1290	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	53.90	53.25	54.35	52.95
Dec	55.30	54.70	56.20	54.60
Mar	57.05	56.55	58.10	56.50
May	60.40	60.35	61.25	60.25
Jul	62.70	62.25	63.00	62.30
Sep	64.30	64.10	65.00	64.25
Dec	68.00	66.75	68.00	68.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.00	8.95	9.00	8.89
Mar	8.84	8.78	8.84	8.75
May	8.85	8.80	8.85	8.77
Jul	8.86	8.79	8.86	8.78
Oct	8.83	8.75	8.85	8.76

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	56.48	55.90	56.70	56.05
Dec	55.05	54.56	55.15	54.65
Mar	56.05	56.45	56.05	55.60
May	56.85	56.38	56.85	56.50
Jul	57.25	57.00	57.40	57.05
Oct	58.81	58.49	0	0
Dec	59.05	58.95	59.15	59.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	113.60	113.00	114.35	113.00
Nov	110.50	109.25	110.50	108.50
Jan	109 90	108.55	110 00	108 00
Mar	109.80	108 70	110.00	108.05
May	110 55	109.60	110.60	109.00
Jul	110.05	109.10	109.60	109.60
Sep	110.05	109 10	0	0
Nov	110.05	109.10	0	0
Jan	110.05	109.10	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Sep.2	Sep.1	mnth ago	yr ago
1511.2	1516 6	1542.3	1660.3

DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep.1	Aug.31	mnth ago	yr ago
Spot	117.79	117.93	-	116.93
Futures	115.96	115.66	-	122.31

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	554/6	552/2	556/4	553/2
Nov	548/6	545/2	551/0	544/2
Jan	558/4	552/2	558/4	551/2
Mar	564/0	560/0	568/2	559/2
May	570/6	567/0	573/4	566/4
Jul	578/4	573/0	580/4	573/0
Aug	577/4	573/0	578/0	575/0
Sep	571/0	569/4	571/0	570/0
Nov	576/0	571/6	576/4	571/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	18.23	18.07	18.35	18.18
Oct	18.32	18.21	18.47	18.27
Dec	18.60	18.49	18.74	18.56
Jan	18.77	18.66	18.91	18.75
Mar	19.07	18.97	19.20	19.01
May	19.35	19.27	19.45	19.33
Jul	19.61	19.52	19.71	19.58

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	176.8	175.7	177.5	175.8
Oct	193.0	191.9	193.5	191.5
Dec	191.8	191.0	192.2	190.5
Jan	191.1	190.0	191.3	189.8
Mar	190.7	189.1	191.0	189.0
May	190.2	188.5	190.3	188.5
Jul	191.0	189.3	191.0	190.0
Aug	191.0	189.0	191.0	190.5
Sep	191.5	189.2	191.5	191.0
Oct	192.5	189.5	194.0	192.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	223/4	220/6	223/6	220/4
Dec	221/0	220/0	222/4	219/2
Mar	230/0	229/0	230/6	228/2
May	236/0	234/6	236/4	234/2
Jul	240/6	239/4	241/4	239/0
Sep	240/0	239/4	241/4	239/2
Dec	243/0	243/0	243/4	241/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	334/0	325/2	338/0	329/4
Dec	344/4	337/6	348/2	341/0
Mar	350/2	344/4	354/2	349/4
May	343/0	340/2	347/0	341/0
Jul	320/4	319/0	323/0	317/4
Sep	326/4	325/0	0	0
Dec	337/6	334/6	337/6	335/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	74.600	73.650	74.700	73.400
Dec	73.225	72.400	73.325	72.300
Feb	72.125	71.575	72.200	71.800
Apr	72.975	72.525	73.000	72.450
Jun	69.850	69.475	69.950	69.350
Aug	68 475	68.200	68.475	0
Oct	68.800	68.400	69.000	68.300

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	41.100	40.000	41.150	40.150
Dec	41.875	40.875	41.900	41.000
Feb	40.725	40.525	41.000	40.500
Apr	38 850	38.800	39.150	38.700
Jun	44.550	44.400	44.650	44.500
Jul	44.500	44.450	44.600	44.500
Aug	43.400	43.300	43.400	43.350
Oct	40.450	40.300	40.450	40.375
Dec	42.100	0	42.100	42.000

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	41.750	39.975	41.900	40.200
Mar	41.625	39.700	41,700	40.000
May	42.800	40.950	42.900	0
Jul	42 925	41.000	43.000	42.800
Aug	42.200	40.325	42.200	40 300

LONDON STOCK EXCHANGE

Strong close to an uncertain session

By Terry Byland,
UK Stock Market Editor

AN IRREGULAR trading session saw the UK equity market regain the FT-SE 2,300 mark to close very firmly yesterday, although much of the impetus came from other sectors of the London financial arena. Stock index futures led the underlying blue chip stocks, and a recovery from early weakness was also encouraged by gains in government bonds and in the December contract on sterling futures, or short sterling as it is known in the City. Also, as equities moved towards the close, the pound was edging higher against the D-Mark.

Dealers doubted whether the big institutions had played much part in the recovery in equities which left the FT-SE Index ahead by 14.6 at 2,313.0 at its final reading. Trading volume was swollen by a handful of individual deals, notably a bought deal of 9.6m shares in Enterprise Oil. The day's Seaq volume total of 431.6m shares implied a return to more normal business levels after the bank holiday weekend. Tuesday's Seaq total of 312.8m was worth only £569.5m in terms of retail business.

The session opened nervously, with traders apprehensive regarding prospects for today's meeting of the Bundesbank policy council.

Worries over the implications of sterling's weakness for domestic interest rate prospects continued to overshadow equity investors. A leading UK brokerage house expressed bearish views on the stock market and share prices were soon undermined by a disappointing start in stock index futures.

The Footsie was soon down to the 2,282 area without seeing any great weight of selling. At this point, however, market rebounded and steady, but not strong, demand for the blue chips sent the Footsie to just over 2,314. Optimism flagged later when Wall Street made a slow start to its new session, showing a gain of only 4.32 on the Dow in early deals. The futures market came to the aid of equities again at the close, taking share prices to just under the day's best levels.

Market strategists pointed to the presence of several of the leading London securities houses in the derivatives markets as an indication that technical forces had driven the rally in share prices.

With the interest rate outlook still the prime factor in the market, particular attention was paid to the recovery in sterling futures which were regarded as heavily oversold following pressure from a leading UK bank last week.

"September 20 (the date of the French referendum on the Maastricht proposals) is still a long way away; and DM 2.7780 is very close," commented Mr Robin Aspinall at Panmure Gordon. The UK stock market is likely to remain highly nervous until that date, and vulnerable to changes of mood in the interest rate futures markets.

Yesterday's recovery was led by gains in the international stocks which had suffered particularly severely during the market's downturn.

Domestic issues, including the store and building shares which are vulnerable to interest rate worries, found it more difficult to join in the market's upswing.

Account Dealing Dates		
*First Dealings:		
Aug 24	Sep 7	Sep 21
Option Declarations:		
Sep 3	Sep 17	Oct 1
Last Dealings:		
Sep 4	Sep 18	Oct 2
Account Day:		
Sep 14	Sep 28	Oct 12

*New time dealings may take place from 8.30 am two business days earlier.

Heavy deal hits Enterprise

A BOUGHT deal involving the purchase and sale of a 2.1 per cent stake in Enterprise Oil, regarded as the UK's leading independent oil exploration and production company, triggered a steep decline in the share price.

After opening on a relatively steady note at 343p, Enterprise dropped as news of the placing filtered into the market. The 2.1 per cent block, some 9.6m shares, was bought by broker Hoare Govett from a single UK institution and placed with a number of Hoare's institutional clients.

Hoare said it had placed the shares at 318p each and that no corporate holders had been involved on either the buying or selling side of the deal. The placing took only 20 minutes, according to the broker. The Seaq ticker revealed that a block of 9.6m Enterprise shares had been traded at 315½p, indicating that Hoare took a 2½p a share turn on the block.

At worst the shares touched 323p, before finishing a net 21 down at 324p. Turnover, almost entirely accounted for by the bought deal, reached 20m.

The seller was not revealed but specialists ruled out Elf Aquitaine, the French oil concern, which has a substantial holding of Enterprise shares via its Elf-Enterprise joint venture.

Norwich Union, with an 8 per cent stake (36.7m shares) was seen as a possible seller, as was Prudential, with a 4.9 per cent interest (22.3m shares). On the other hand, Schroders, with 3.39 per cent (15.5m shares), was believed to be a firm holder. Among other investment institutions, Gartmore was suggested as a possible seller of Enterprise stock.

Rank sold

Not even confirmation of the disposal of one of its London hotels could lift the recent gloom that has descended on Rank Organisation, and the slide in the shares continued apace yesterday, this time caused by a profits downgrading from broker BZW.

Following Tuesday's downgrading by Kleinwort Benson, BZW yesterday shaved its current year forecast by £14m to £246m and cut the following year's figure by £35m to £285m, "to take account of the tougher outlook for leisure in the UK".

Ms Jane Anscombe at BZW, however, believes the recent falls in Rank have been overdone, as have worries over the balance sheet, and said: "We are actually buyers at these levels." The shares closed 14 lower at 477p after brisk trade of 1.7m.

Rank confirmed that it had sold its Athenaeum central London hotel for what analysts believe to be £15m to £20m.

Tarmac hit

A thoroughly demoralised building sector provided the market's weakest individual performer in building materials and contracting group Tarmac, which dropped 9, about 14 per cent, to 56p, the lowest level since the mid-1980s. Almost 11m Tarmac shares changed hands, making them the market's third most heavily traded stock.

The latest bout of selling pressure was said to have been triggered by Kleinwort Benson, the stockbroker, which was said to have pencilled in a loss of around £15m for this year.

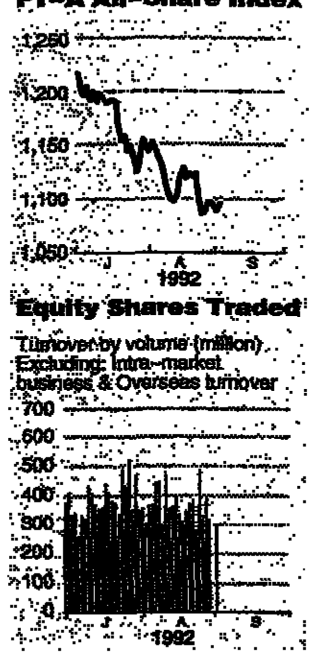
Abbey National was prominent in the banks sector, with hints of a broker buy recommendation said to have triggered the 7 gain to 270p. Sun Alliance eased 2 to 222p in front of today's interim figures, which are expected to show losses of between £115m and £165m.

The electricity distribution companies tumbled as private investors sold their stock ahead of the final 70p call on the shares due on September 15. The Electricity Package was under pressure in front of Friday's cessation of trading, closing £100 down at £3055, with dealers detecting signs of sizeable overseas selling, particularly from the US.

Among the individual electricity stocks, Midland fell 14 to 306p on heavy turnover of 3.6m, while Yorkshire and London each lost 13 to 353p and 286p respectively.

Dealers feared that the big institutional deal in Enterprise Oil might spark a similar trend in other UK oil independents. It was remembered that the Clyde share price had suffered as a result of similar institutional activity earlier this year.

Along with Clyde, Goal, Premier and Monument Oil & Gas were viewed as potentially vulnerable to the recent retreat by oil prices, when the latter is seen in sterling terms. The severe weakness of the dollar has left sterling oil prices at around their lowest for some 20 years, according to oil analysts. Lasmo shares, given a severe mauling by the market since the group won control of Ultramar, eased 2 to 129p.



A stock overhang and worries that the poor late summer weather in the UK will affect full-year profits at Cadbury Schweppes combined to depress the shares, which ended 8 down at 421p.

Ladbroke Group was in demand ahead of today's half-year statement and moved forward 5 to 148p. Granada Group appreciated 6 to 243p.

Housebuilders continued to attract determined selling across the board, with Wilson Bowden, scheduled to reveal interims this morning, a further 6 lower at 226p.

George Wimpey, reporting half-time results next Tuesday, slipped 2 to a low for the year of 83p as dealers pondered the possibility of a reduction in the dividend.

Owners Abroad, still depressed by the recent Smith New Court profits downgrade, continued to languish and finished 2 cheaper at 54p.

Demand from the US was said to have been the reason for an advance by British Airways of 10 to 234p on turnover of 3.4m shares.

A trader shopping for around 250,000 shares in IMI caused a squeeze in the stock, which moved ahead 7 to 239p.

UBS Phillips & Drew is said to be positive on Siebe, which helped the shares gain 6 at 581p.

An initial decline in British Aerospace was followed by a strong rise, with brokers Kleinwort Benson and S.G. Warburg reported to have shown a keen interest in the shares. They were eventually 12 ahead at 217p after turnover of 1.4m.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo.

■ Other market statistics, Page 18

FINANCIAL TIMES STOCK INDICES

	Sept 2	Sept 1	Aug 28	Aug 27	Aug 26	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	87.66	87.03	87.04	87.29	87.25	86.16	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	103.40	102.93	103.19	103.26	103.34	95.27	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1682.8	1670.0	1680.6	1688.6	1676.2	2108.3	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	75.1	77.4	79.4	79.3	78.7	150.5	160.6 (10/1)	75.1 (2/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2313.0	2298.4	2312.6	2311.6	2285.0	2679.6	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1050.07	1046.46	1053.68	1056.13	1037.41	1197.26	1248.79 (11/5)	1029.56 (25/8)	1248.79 (11/5/92)	936.62 (16/1/91)
●Ord. Div. Yield	5.28	5.33	5.29	5.28	5.33	4.50				
●Earning Yld %(full)	7.67	7.74	7.69	7.68	7.74	7.33				
●P/E Ratio(Net)(*)	16.48	16.33	16.44	16.47	16.33	17.02				
SEAQ Bargns 5.00pm	16,753	15,689	17,194	18,567	17,228	29,544				
Equity Turnover(£m)†	-	589.5	664.7	878.6	628.2	692.8				
Equity Bargains†	-	17,681	19,253	20,648	20,490	29,561				
Shares Traded (ml)†	-	294.4	318.2	392.4	336.1	315.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. - Nil 15.13

Ordinary Share Index, Hourly changes Day's High 1683.0 Day's Low 1655.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1664.7	1655.7	1666.7	1672.5	1674.5	1678.2	1681.6	1680.1	1681.8

FT-SE 100, Hourly changes Day's High 2314.1 Day's Low 2282.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2291.2	2282.4	2297.7	2303.9	2302.6	2306.9	2313.0	2310.1	2312.0

FT-SE Eurotrack 200, Hourly changes Day's High 1051.53 Day's Low 1041.55

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1042.36	1043.40	1045.05	1045.04	1047.15	1050.01	1050.65

GILT EDGED ACTIVITY

Indices*	Sept 1	Aug 28
Gilt Edged Bargains	90.7	104.7
5 – Day average	105.5	102.1

*SE Activity 1974
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	1	400	
ASDA Group	2,900	24	-½
Abbey National	2,000	270	+7
Albert Fisher	1,700	31	-1
Allied-Lyons	2,800	554	+4
Amstrad	1,500	21	
Anglian Water	402	433	+1
Argos	662	228	+2
Argyll Group	1,000	336	+3
Arjo Wiggins	1,000	212	+2
Ass. Brit. Foods	46	391	+2
Ass. Brit. Ports	651	256	+5
BAA	848	660	+19
Comm. Union	347	456	+9
Cookson	2,200	122	-1
Courtaulds	300	418	+6
Dalgety	64	379	-1
De La Rue	50	546	+5
Dixons	3,500	188	+3
Eastern Elect.	2,400	286	-5
East Midland Elect.	1,200	284	-6
Eng China Clays	365	461	+7
Enterprise Oil	20,000	324	-21
Eurotunnel Units	294	380	-6
FKI	404	66	
Fisons	1,700	174	+1
Lonrho	441	67	-1
Lucas	2,400	82	+4
MB Caradon	1,000	238	-5
MEPC	250	227	+3
Manweb	791	339	-10
Marks & Spencer	3,700	293	+1
Midlands Elect.	3,600	306	-14
NFC	670	227	+5
NatWest Bank	3,200	305	+4
National Power	2,400	247	+5
Next	2,100	83	+½
North West Water	1,100	434	+3
Northern Elect.	451	311	-11

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

ACTIVITY increased sharply in the derivatives markets yesterday as a strong advance in government bonds encouraged several London securities houses to take a more positive view of the interest rate outlook, writes Terry Byland.

In futures, the September contract on the FT-SE Index opened lower but moved up strongly at mid-morning, touching a day's peak of 2,330 before its official close of around 2,328, a final premium of around 7 over the fair value figure, which incorporates dividend flows and financing costs.

Dealers identified two leading UK houses and one US house as determined buyers of the stock index futures. However, there was further selling of the September contract from the US house, which has followed a determinedly bearish tack for several weeks.

In traded options, volume jumped from Tuesday's 15,060 contracts to 27,495 yesterday, with 17,619 representing calls. The FT-SE contract traded 10,153 compared with 6,424. Tesco topped the actives list in stock options with 2,249 contracts, as a large line of shares appeared in the stock market. Cadbury-Schweppes options, also overshadowed by stock in the equity market, had 1,178 lots transacted.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (8).
BREWERS (1) Holt (J.), MEDIA (2) Haynes, Ulster TV, MOTORS (1) Trimoco, PACKG PAPER & PRNTG (1) Continuous Stationery, TRANSPORT (1) P & O 5½pc Prfd.

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wed Sep 2 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Sep 1 Index No.	Fri Aug 28 Index No.	Thu Aug 27 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	682.12	+0.1	8.65	6.56	14.80	21.54	681.32	687.80	690.73	873.69
2	Building Materials (23)	661.99	-1.8	8.21	8.37	16.52	27.19	674.03	695.13	694.33	1117.76
3	Contracting, Construction (27)	508.39	-2.4	6.69	11.74	33.15	25.52	521.02	548.15	549.28	1170.00
4	Electricals (9)	2026.47	-0.8	8.16	7.42	15.80	73.60	2043.21	2042.18	2049.33	2490.28
5	Electronics (27)	1918.04	-0.2	8.42	4.49	14.81	46.26	1921.71	1907.67	1893.66	1827.06
6	Engineering-Aerospace (6)	299.78	+1.0	12.15	8.69	10.41	11.27	296.67	295.14	295.93	406.67
7	Engineering-General (43)	415.26	+0.3	9.93	5.81	12.79	12.65	414.10	415.58	418.46	498.15
8	Metals and Metal Forming (7)	266.21	+1.1	6.53	8.28	22.27	7.30	263.26	263.57	264.36	455.48
9	Motors (14)	277.43	+1.1	9.68	8.50	13.60	12.80	274.42	279.54	285.30	367.92
10	Other Industrial Materials (19)	1501.97	+1.1	8.26	5.52	14.56	38.28	1485.55	1497.55	1512.53	1669.06
21	CONSUMER GROUP (191)	1461.85	+0.5	8.30	3.93	14.80	28.02	1453.86	1463.21	1462.14	1582.87
22	Brewers and Distillers (25)	1839.30	+0.7	9.04	3.98	13.35	37.45	1827.22	1825.24	1834.53	1941.66
25	Food Manufacturing (19)	1083.63	-0.1	9.96	4.87	12.42	26.54	1084.45	1094.53	1101.94	1237.38
26	Food Retailing (18)	2605.11	....	9.39	3.50	13.87	47.40	2605.86	2612.43	2607.77	2730.35
27	Health and Household (25)	3727.07	+0.9	7.41	2.86	15.40	42.46	3692.80	3766.89	3723.87	3744.83
29	Hotels and Leisure (18)	959.03	+0.7	8.38	7.14	15.51	38.02	952.75	957.73	968.63	1392.39
30	Media (26)	1404.33	+0.9	7.21	3.75	17.27	29.64	1391.82	1399.93	1390.43	1518.72
31	Packaging, Paper & Printing (17)	709.95	+0.8	7.55	4.66	16.26	16.15	704.30	705.90	706.35	779.46
34	Stores (34)	936.65	+0.3	7.60	4.00	17.52	17.01	934.14	929.24	933.18	1034.29
35	Textiles (9)	564.05	+1.5	8.60	5.50	14.49	15.02	555.57	556.41	558.77	614.78
40	OTHER GROUPS (117)	1173.34	+0.6	10.63	5.79	11.77	37.04	1166.81	1179.81	1181.23	1299.19
41	Business Services (17)	1186.63	+2.3	7.20	4.37	16.96	21.45	1160.34	1189.83	1201.99	1430.86
42	Chemicals (22)	1255.66	+1.0	7.82	5.79	15.87	45.85	1243.05	1254.81	1257.71	1506.49
43	Conglomerates (10)	1087.92	-0.1	10.52	10.11	12.19	37.23	1089.23	1111.63	1111.44	1510.08
44	Transport (14)	2194.63	+2.6	9.12	5.38	13.48	55.92	2138.63	2138.51	2152.74	2355.03
45	Electricity (16)	1327.93	-0.6	15.66	5.52	8.23	44.58	1336.04	1348.25	1343.36	1238.22
46	Telephone Networks (4)	1372.26	+0.6	11.02	4.81	11.83	46.15	1364.68	1372.29	1372.20	1569.65
47	Water (11)	2885.73	+0.5	15.52	6.00	7.13	86.85	2870.93	2910.77	2906.93	2503.23
48	Miscellaneous (23)	1861.34	-0.2	7.14	5.43	17.58	54.03	1865.56	1899.58	1904.47	1940.19
49	INDUSTRIAL GROUP (483)	1174.09	+0.5	9.13	4.98	13.65	29.75	1168.49	1178.42	1179.31	1319.74
51	Oil & Gas (17)	1807.62	-0.3	7.55	7.05	17.32	69.56	1813.28	1827.95	1817.41	2484.98
59	500 SHARE INDEX (500)	1234.51	+0.4	8.97	5.19	13.95	32.95	1229.61	1239.31	1240.12	1419.76
61	FINANCIAL GROUP (83)	650.16	+0.7	-	6.74	-	26.05	645.75	644.62	643.66	844.33
62	Banks (9)	894.25	+1.0	7.17	6.16	20.11	36.70	885.54	878.26	874.11	985.74
65	Insurance (Life) (6)	1311.87	+0.1	-	6.80	-	45.47	1310.93	1322.34	1339.35	1632.53
66	Insurance (Composite) (7)	435.52	+1.0	-	6.90	-	15.81	431.27	430.75	433.29	675.46
67	Insurance (Brokers) (10)	561.93	-0.3	12.64	9.75	10.38	39.26	563.61	571.28	560.33	1142.23
68	Merchant Banks (7)	396.85	+0.3	-	5.45	-	12.37	395.49	395.41	397.62	449.02
69	Property (30)	497.16	+0.1	12.14	8.95	10.96	21.34	496.83	504.27	499.20	950.64
70	Other Financial (14)	215.81	....	9.26	8.03	14.19	6.63	215.89	216.19	216.59	265.75
71	Investment Trusts (70)	1034.63	-0.2	-	4.34	-	24.24	1036.96	1037.26	1037.71	1257.97
99	ALL-SHARE INDEX (653)	1094.45	+0.4	-	5.36	-	30.86	1089.89	1096.99	1097.40	1279.89

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 1	Aug 28	Aug 27	Aug 26	Aug 25	Year ago
FT-SE 100 SHARE INDEX§	2313.0	+14.6	2314.1	2282.4	2298.4	2312.6	2311.6	2285.0	2281.0	2664.6

FIXED INTEREST

	PRICE INDICES	Wed Sep 2	Day's change %	Tue Sep 1	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	120.87	+0.39	120.40	2.09	8.49
2	5-15 years (25)	134.77	+0.78	133.72	1.80	9.59
3	Over 15 years (8)	146.71	+0.99	145.28	2.23	8.14
4	Irredeemables (6)	165.18	+0.83	163.82	2.28	8.83
5	All stocks (61)	133.01	+0.68	132.11	1.98	9.22
	Index-Linked					
6	Up to 5 years (2)	169.31	+0.07	169.19	0.16	3.25
7	Over 5 years (10)	145.25	+0.34	144.76	0.74	3.33
8	All stocks (12)	147.40	+0.30	146.96	0.66	3.29
9	Debs & Loans (62)	117.44	+0.47	116.88	2.11	8.26

	AVERAGE GROSS REDEMPTION YIELDS		Wed Sep 2	Tue Sep 1	Year ago (approx.)
	British Government				
1	Low	5 years	9.04	9.15	8.72
2	Coupons	15 years	9.05	9.15	9.57
3	(0%-7¾%)	20 years	9.05	9.15	9.57
4	Medium	5 years	9.74	9.88	9.83
5	Coupons	15 years	9.31	9.43	9.74
6	(8%-10¾%)	20 years	9.21	9.32	9.71
7	High	5 years	9.98	10.12	10.02
8	Coupons	15 years	9.55	9.68	9.84
9	(11%-)	20 years	9.41	9.53	9.76
10	Irredeemables	†	9.26	9.34	9.77
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	4.65	4.66	3.79
12	Inflation rate 5%	Over 5 yrs	4.70	4.73	4.22
13	Inflation rate 10%	Up to 5 yrs	3.89	3.90	2.84
14	Inflation rate 10%	Over 5 yrs	4.52	4.54	4.04
15	Debs &	5 years	11.04	11.10	11.52
16	Loans	15 years	10.70	10.77	11.28
17		25 years	10.53	10.58	11.11

§Opening index 2291.2; 9 am 2282.4; 10 am 2297.7; 11 am 2303.9; Noon 2302.6; 1 pm 2306.9; 2 pm 2313.0; 2.30 pm 2312.9; 3 pm 2310.1; 4.10 pm 2312.8; (a) 1.54pm (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1 9HL.

LONDON SHARE SERVICE

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Conversion 10¼pc 1999		102			100	9.98	9.73
9pc 2000‡‡		97			94	9.25	9.53
Treas 13pc 2000		116½		121	114	11.16	9.85
10pc 2001		102		106¼	99	9.77	9.58
14pc '98-01		118		121	115	12.01	10.13
9¾pc 2002		101		105¾	98¾	9.68	9.51
10pc 2003		103¾xd		107	100	9.67	9.51
Treas 11½pc 2001-04		109xd		113	107	10.49	9.84
Funding 3½pc '99-04		65¾		69	59½	5.33	8.06
Conversion 9½pc 2004		100		104	98	9.46	9.44
9½pc 2005		100¾		104	98	9.44	9.41
Treas 12½pc 2003-05		118	+1	124¾	118	10.55	9.74
8pc 2002-06‡‡		89½xd		93	85½	8.94	9.36
Treas 11¾pc 2003-07		113		118	110	10.39	9.71
Treas 8½pc 2007 ‡‡		93¾		97	89	9.07	9.28
13½pc '04-08		125xd	+1¼	132	123	10.73	9.74
Over Fifteen Years							
9pc 2008 ‡‡		98		101	93	9.18	9.24
8pc 2009		89½xd		93	85	8.94	9.24
Conv 9pc Ln 2011 ‡‡		98		102	93	9.17	9.20
Treas. 9pc 2012		98	+1	102	93	9.14	9.17
9pc 2012 A		98	+1	100¾	97¾	9.14	9.17
Treas 5½pc 2008-12‡‡		67¾xd		70	62¾	8.10	8.98
7¾pc 2012-15‡‡		86		90	81	8.93	9.14
Exch 12pc '13-'17		125	+1¼	130	120½	9.59	9.27
Treas 8¾pc 2017		96		101	95	9.04	9.11
8¾pc 2017 A ‡‡		38		40	35	9.08	9.12
Undated							
Consols 4pc		42¾		44	39¾	9.36	-
War Loan 3½pc‡‡		37¾		39	35	9.24	-
Conv 3½pc '61 Aft		61xd		62¾	59	5.70	-
Treas 3pc '66 Aft		31xd		32¾	28	9.47	-
Consols 2½pc		27xd		27	24	9.25	-
Treas. 2½pc		27xd		27¾	24	9.29	-

Index – Linked	Notes (b)	Price £	+ or -	1992 high	1992 low	Yield (1)	Yield (2)
Treas. 2pc '94	(102.9)	125		127	122½	3.08	4.58
2pc '96	(67.9)	179xd		184¼	176	4.03	4.69
2½pc '01	(78.3)	142xd		148	141	4.61	4.95
2½pc '03	(78.8)	137¼		144	137	4.64	4.92
2pc '06	(69.5)	139		147	132	4.62	4.84
2½pc '09	(78.8)	126		134¼	126	4.58	4.79
2½pc '11	(74.6)	130		138	129	4.54	4.73
2½pc '13	(89.2)	107		114	106	4.52	4.68
2½pc '16	(81.6)	114		121	112	4.47	4.63
2½pc '20	(83.0)	118		117	107	4.44	4.58
2½pc '24‡‡	(97.7)	91		97	88	4.40	4.53
4⅛pc '30‡‡	(135.1)	93		99	92	4.37	4.51

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1992: 135.6 and for July 1992: 138.8

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11⅛ 2010		111		115	105	10.02	9.78
Asian Dev 10¼pc 2009		105		109	100	9.75	9.62
B'ham 11½pc 2012		109		113½	102	10.55	10.42
Ireland Cap 8½pc '10		90	—	99	88	9.44	-
9pc Cap 1996		92¾	—	99	90	9.70	-
13pc '97-02		105	—	115½	103	12.28	-
Hydro Quebec 15pc 2011		138		141	130	10.98	10.48
Leeds 13½pc 2006		121	+½	125	116¼	11.09	10.50
Liverpool 3½pc Irred		32	+½	34	30	10.94	-
LCC 3pc '20 Aft		38	+½	31	27	10.89	-
Manchester 11½pc 2007		108	+1	111¼	103¼	10.82	10.41
Met. Wtr. 3pc 'B'		69	+½	61	53	5.82	9.01
N'wide Anglia 3⅞pc 2021		104½	-¼	111¼	103¼	-	5.70
4⅛pc IL 2024		104½	-⅛	110¼	103¼	-	5.41
Utd Mex States 16½pc 2008		122½xd	-¼	126	121½	13.47	13.11

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs h	15¼xd	+¼	19⅛	14⅝	13,382	2.0
♥Allegheny & W	299p	-7	380p	226p	159.4	5.3
Amdahl	685p	+4	1188p	642p	767.5	0.8
Amer Cyanamid	29½	-⅛	37	28⅝	2,698	2.9
Amer Express	10 3/16xd	+1/32	13⅞	10 1/16	6,016	5.0
Amer T & T	21xd	-1/16	24⅞	20¼	27,927	3.3
Ameritech	34½	+¼	38 11/16	32½	16,185	5.3
BankAmerica	21⅝xd	-9/32	27⅛	19 1/16	7,409	3.2
Bankers NY	30 3/16xd	+⅛	37¼	28⅞	2,593	4.4
Bell Atlantic	24⅜	+⅛	28¼	23⅛	10,493	5.6
BellSouth	28¼	+⅛	29⅛	25	13,877	5.4
♥Bethlehem Steel	5 11/16xd	—	9⅝	5⅞	526.3	–
Bowater	935pxd	-2	1579p	905p	337.1	6.7
CPC h	24¼xd	—	28¼	22⅜	3,748	2.5
♥Cadiz Land Inc	128p	—	342p	128p	–	–
Campbell Soup	18⅝xd	+⅛	23 3/16	17⅞	4,675	2.2
Chase Manhattan	11⅜xd	-3/16	18½	9⅛	1,589	5.5
Chrysler	9 13/16xd	+¼	17½	6¼	2,869	3.2
Citicorp	8½xd	-⅛	11¼	5⅜	2,981	–
Colgate-Palm	27⅜xd	-¼	29 1/16	25¼	4,418	2.3
Cont'l Bank	835p	-21	1036p	499p	843.8	3.8
Dana	18 7/16xd	+1/16	24½	14 3/16	845.3	4.5
Data General	392p	+5	1064p	384p	168.2	–
Dun & Brad	28¼	+3/16	33½	27⅝	5,049	4.2
Eaton	38½	—	46½	32½	1,254	3.2
Echlin	9⅛xd	—	11	7⅜	514.7	4.0
FPL	17 13/16xd	-1/16	20	17 13/16	3,199	7.1
Fluor	28⅛	-⅝	27	19¼	1,632	1.0
Ford Motor	20⅛xd	+3/16	28⅜	15	8,771	2.6
Gen Elect	38⅞xd	+⅛	46¼	36¾	31,864	3.4
♥General Host	480p	+18	555p	350p	–	3.9
Gillette	28⅞xd	+13/32	29⅞	23 13/16	6,334	1.3
Hasbro	15⅛	+1/16	18½	12⅜	1,383	0.7
Honeywell	32⅞xd	-¼	43	32	2,295	2.6
Houston Inds	22 1/16	-⅛	25	22 1/16	2,857	7.1
IBM	43 11/16xd	-1/16	54½	42¾	24,933	5.8
Ingersoll-Rand	13⅛	+3/16	18 1/16	12 13/16	1,361	2.8
Lockheed	23¼	+3/16	28⅞	22⅝	1,457	4.7
Lowe's h	885p	-9	1273p	815½p	845.8	1.7
Merrill Lynch	24 13/16xd	—	39 11/16	24⅜	2,686	2.5
Morgan (JP)	29⅝	-⅜	37½	28 7/16	5,639	3.9
Morris (Philip)	41¼xd	+⅛	45 3/16	37 13/16	37,843	2.2
NYNEX	41⅜	+3/16	44⅝	39⅝	8,538	5.8
Pall	12⅞	—	17 13/16	10 3/16	1,129	1.5
Pennzoil	26¼xd	+½	30⅜	23⅛	1,862	5.9
Quaker Oats	29¼xd	-⅛	40 3/16	28	2,223	3.0
Rockwell	12 11/16xd	+1/16	15 13/16	11½	2,894	3.8
Rep NY	20 3/16xd	-3/16	28 1/16	20⅞	1,086	2.5
Sears, Roebuck	20⅞xd	-1/16	28	19 7/16	7,280	5.0
Sthwestern Bell	33⅛	+½	35⅞	31⅜	16,138	4.5
Sun Co	12½xd	-⅛	16⅞	12⅜	1,328	7.7
Tenneco	19 1/16xd	+3/32	25 7/16	16½	2,418	4.3
Texaco	32⅝xd	-⅛	36⅝	30 11/16	8,434	5.1
Time Warner	51 13/16xd	-5/16	62⅛	46½	4,799	1.0
♥Unitab	337p	—	587p	320p	813.8	–
♦URS Intl 1c	0¼p	—	1¼p	0¼p	2.57	–
US West	19¼	+1/16	21 11/16	18⅞	7,891	5.8
Varity	958p	-3	1858p	632p	288.3	–
Waste Manage	16 1/16xd	-3/32	20	16 1/16	8,145	1.7
Whirlpool	1782pxd	+1	2795p	1795p	1,256	3.2
♥Woolworth	15⅜	+¼	18¼	13¾	2,005	3.8

CANADIANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
♥Abitol Energy	1¼p	—	2p	1¼p	–	–
Amer Barrick	1647p	-12	1842p	1268p	2,180	0.3
Bk Montreal	19¼	—	23¼	19¼	2,341	4.6
Bk Nova Scot	980p	+6	1176p	899p	2,817	4.4
♥BC Gas	635p	+2	670p	621p	–	4.0
BCE	18⅞	-⅛	24½	18⅞	5,858	5.8
♥Brascan	750p	-4	957p	704p	818.5	5.8
♥Breakwater	28p	—	33p	6p	12.7	21.1
Can Imp Bk	1240p	-5	1810p	1157p	2,308	4.5
Can Pacific	898p	-3	939p	694p	2,225	1.9
4pc Deb	36½	—	38	34	17.1	11.0

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
‡‡Ivernia West I£	34	+1	53	32	17.1	–
‡‡Kells Mins I£	18	—	42	14	0.43	–
Kenmare	2¼	—	6½	2¼	2.64	–
Meinga Res	15	—	48	15	1.66	–
‡‡Navan Res I£	23½	—	28	18	3.15	–
North West Expl A$	3	—	6	2	1.81	–
Oryx Gold $	54	—	103	51	–	–
Plateau	3¼	—	13	3	1.37	–
RTZ	585	+5	668	469	5,868	5.1
Vizcaya	1¼	—	3	1	0.94	–
Western & Pac C$	14	—	16	7	7.68	–
Young Grp ‡	14	—	110	4	2.11	[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ)
- ● "Top Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations; xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	107 4	108 6	114 3	+0 10	0 00
AIB Grofund Equity	5	160 4	162 5	171.9	-0.90	2.84
AIB Grofund Euro ♦	5	121 8	123.6xd	130 1	-0.80	1 06
AIB Grofund Gilt	3	68.36	68.39xd	70.51	+0.02	6.51
AIB Grofund Japan	5	98 25	99.38	104.6	-2.00	0.00

AXA Equity & Law Unit Tst Mngrs (1200)F
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	322.6	326 9	345 7	-0.8	3 77
General Acc	5	344 2	346 7	368.9	-0.8	3 77
UK Growth Acc	6	235 3	239.6	254 9	-0.3	4 23
UK Growth Inc	6	171 5	174 6	185.8	-0.2	4.23
Higher Inc Acc	6	395 6	403.7	429.5	-1.0	6 02
Higher Inc Inc	6	249 6	254.6	270 9	-0 7	6 02
Gilts/Fxd Int Acc	5¼	150 0	150 6	158 6	+0.4	8 51
Gilts/F xd Int Inc	5¼	80.80	81.17	85 45	+0.25	8.51
Nth America	6	164 3	168 0	178.8	-0.6	0.00
Far East	6	177.1	178 8	190.3	-2.3	0.59
Europe	6	176.5	178.3	189 7	-1.8	0.63
Brit Excell	6	47 13	47 13	50.14	-0.11	4.46
Brit Fndmtls Acc	6	62.06	62.06	66 03	-0.19	7 06
Brit Fndmtls Inc	6	50 49	50.49	53.72	-0.16	7 06
Global Opps	6	46 09	46.53	49 51	-0.64	0 57

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	116.3	116.3xd	123.4	....	8.39
High Inc Equity	6	108 5	111.2	118 2	-0 7	7 19
Worldwide Bond	6	210 7	210 7xd	223.3	-0.2	6.37
Capital Growth						
American Growth	6	179.3	179 3	191.5	....	1.15

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	63.56	63 59xd	67 68	-0.49	3 07
Mngd P'folio Acc	6	119 0	119 0	126.7	-0 90	-
UK General	6	109.2	109.2	116 3	-0.40	4 36
Conv & General	6	14.18	14 18	15 14	-0.32	10.19
European Inc	6	18 00	18 00	19.38	-0.21	0 98
European Acc	6	18.49	18.49	19 91	-0.21	-
Financial	6	74.50	74.50xd	79 34	-0.13	5.60
Foundation	6	52.83	54.52	58 06	-0.27	4.83
German	6	32 63	32.63	34 94	-0.19	0.11
Growth Inc †(5-1)	5	22.23	22.29	23.73	-0.04	3 90
Growth Acc †(5-1)	5	25 66	25 73	27 40	-0 04	-
High Income	6	51 49	52.22xd	55.88	-2.48	8.41
Income	6	91 60	91.60	98.01	-0.73	5 92
Intl Income	6	69.06	69 06	73 55	+0.09	6 96
Intl Growth ♦	6	22.68	22.68	24.15	-0.38	0.32
Monthly Income	6	48.51	50 28	53.55	-0.52	6.29
North American	6	68 28	68.28	72 72	-0.24	0.30
Orient ♦	6	69.30	69.30	74.62	-1.19	-
Recovery	6	23 97	23.97	25 65	-0.17	4 60
Smaller Cos Acc	6	180 1	180.1	191.8	-1.90	-
Smaller Cos Inc	6	107 0	107.0	114.0	-1.10	2.02

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	159.9	159 9	164.6	....	7 0

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Fellowship Tst ♥	5¼	44 83	44 83	47 52	....	3.57
(Accum Units) ♥	5¼	49 12	49.12	52.07	....	3.57
Income	5¼	157.4	159 5	169 7	—	5 75
(Accum Units)	5¼	349 4	354 1	376.8	....	5.75
Smaller Co's	5¼	85 87	85 87	91.02	....	3 29
(Accum Units)	5¼	101 0	101.0	107.1	....	3.29
Inv Portfolio ♥	3	49.34	49 34xd	51.07	....	3.65
(Accum Units) ♥	3	55.26	55.26xd	57.19	....	3 65
High Income Port ♦	3	44.04	44.85	46.48	....	6 44

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Short Dated Gilt	1¼	62.75	62.75	63 60	+0.03	7.36

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 081-740 7070

Crown Unit Tst Services Ltd (1200)F
Crown House, Woking GU21 1XW

Dimensional Tst Mangmt
155 Bishopsgate, London EC2M 3...

Discretionary Unit Fund M...
C/O Greig Middleton, 66 Wilson St, ...

Drummond Fund Mangt L...
1 White Hart Yd, London Bridge SE...

Dunedin Unit Tst Mngrs L...
25, Ravelston Terrace, Edinburgh

EFM Unit Tst Mngrs Ltd (...
4 Melville Crescent, Edinburgh

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation.
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	50.76	50.76	51.26	+0.01	10.00
Charific Prinance	5¼	46.84	47.16	50.30	-0.17	9.9
Ethical	5¼	39.45	40.41	42.98	-0.11	6.0
European Growth	5¼	44.89	45.07	48.07	-0.37	4.7
Income	5¼	39.66	40.14	42.81	-0.08	8.6
Intl Growth	5¼	58.41	58.87	62.79	-0.55	3.9
Managed	5¼	50.69	51.41	54.83	-0.30	5.1
UK Growth	5¼	40.94	41.61	44.38	-0.15	6.8

Standard Chartered Equitor (1200)F
69 Old Broad Street, EC2M 1QS 071-280 6521

Mngd Exempt Acc	3	173.6	175.4	182.7	-0.6	3.46
Do Income	3	161.2	163.0	169.7	-0.5	3.46

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Acc	5¼	32.52	32.52	34.56	-0.3	2.99
UK Equity Gth Acc	5¼	43.52	44.37	47.15	-0.4	2.34
UK Eq High Inc Inc	5¼	25.25	25.87	27.49	-0.2	5.97
UK Eq High Inc Acc	5¼	28.93	29.64	31.50	-0.2	5.97
UK Equity Gen Acc	5¼	42.39	43.17	45.87	-0.3	3.57
UK Equity Gen Inc	5¼	32.81	33.41	35.50	-0.2	3.57
UK Larger Cos Acc F	7½	280.5	284.3	308.5	-2.3	4.93
UK Larger Cos Inc F	7½	222.2	225.4	244.6	-1.8	4.93
Gilt & Fxd Int Inc	3¼	27.99	28.06	29.68	...	7.48
Gross Lrg Cos Acc F	7½	181.8	184.9	200.7	-1.7	2.89
Nth American Acc	5¼	30.51	30.65	32.57	-0.1	1.04
Far East Acc	5¼	33.81	33.81	35.93	-0.4	0.20
European Acc	5¼	31.30	32.52	34.56	-0.3	1.63

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

American ♥	5	240.1	240.1	256.6	-1.6	0.94
(Accum Units) ♥	5	282.6	282.6	300.8	-1.9	0.94
British	5	703.5	720.4	762.2	-1.6	7.06
(Accum Units)	5	1213.5	1242.7	1314.8	-2.8	7.06
European	5	317.8	317.8	338.5	-1.9	1.43
(Accum Units)	5	344.5	344.5	366.9	-2.1	1.43
Japan	5	85.61	85.61	90.99	-2.08	-

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£428.13	434.65	-2.01	1.38
Eur Exempt	£113.16	115.62	-1.07	4.18
Jap Exempt	£331.55	338.03	-7.81	1.28
Pacific Exempt	£99.64	101.90	+0.67	2.07
Cantl Euro Exempt	£92.99	94.77	-0.40	2.70
Intcord Exempt Aug 27	£114.23	117.08	...	5.13
Amer Indxd Expt Aug 27	£95.81	96.775	...	2.95
Japan Indxd Expt Aug 27	£42.65	43.51	...	1.06
Euro Indxd Expt Aug 27	£86.09	87.82	...	3.52
6'seas Indxd Expt Aug 27	£83.41	85.21	...	2.49

Foreign & Colonial Unit Management Ltd

Balanced Acc Sep 2	139.1	145.0	+1.2	4.47
Balanced Inc Sep 1	139.1	145.0	+1.2	4.47

Funds in Court*

Capital Aug 27	446.08	449.45	...	3.90
Gross Aug 27	163.91	166.23	...	12.71
High Yield Aug 27	259.04	261.51	...	9.43

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

Pensions Mngd	48.23	49.23	-0.09	3.95

INVESCO MIM Management Ltd
Exempt Funds

Intl Mngd P'Folio	1009.0	1087.0	...	-
Mngd Pens (Acc)	62.3	66.4	...	-

Lazard Brothers & Co. Ltd

Property Aug 12	£2225.0	2450.0	...	7.00
Inc Gth Prp Apr 22	£1375.0	1500.0	...	8.90

Lazard Investors Ltd ‡‡
Exempt Funds

Small Co's Sep 2	£3557.0	3723.9	-29.70	3.96
European Sep 2	£549.2	554.9	+1.80	2.06
American Sep 2	£307.1	309.7	-2.50	1.93
Japan Sep 2	£363.1	368.6	-12.80	1.77

Albany Life Assurance Co Ltd—Contd.

	Bid Price
Eurpoles Metro	139.9
Global Metro	88.3
Sunrise Metro	109.7
UK Metro	108.5
N Am Pn Fd Acc(z)	243.9
Pac Basin Fd Acc(z)	189.1
Property(z)	663.9
Mtple Inv Pens Acc(z)	1508.4
Broker Funds	
YRA Strategy	129.5
YRA Performance	112.0
Langham Dollar (SE)	111.8

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL

Life Funds

	Bid Price
Fixed Int. Dep Acc	342.1
Equity Acc	453.9
Property Acc	482.5
Far East Acc	171.5
European Acc	24.6
Managed Cap	391.3
Managed Acc	755.1
O'seas Earnings Acc	649.2
Gilt Edged Acc	390.1
American Equity Acc	525.4
American Man Acc	233.4
American Prop Acc	116.4
High Income Acc	22.0
Gen 4	
Fixed Int Dep Acc	28.4
Equity Acc	24.8
Property Acc	22.9
Far East Acc	19.8
European Acc	21.0
Managed Acc	25.1
Overseas Acc	24.8
Gilt Acc	30.2
Am Equity Acc	25.8

Century Life Plc

Eagle Star Life Assurance Co Ltd

Hearts of Oak Insurance Group

Life Association of Scotland

NEL Britannia Assce Co Ltd—Contd.

INSURANCES

AXA Equity & Law Life Assce

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	134 9	142 0		-
Property Acc. (Gross)	257 0	270 6	+0 1	-
Equity (Gross)	782.5	823 7	-5.3	-
Managed (Gross)	563 4	593 0	-3.5	-
Property Acc. (Net)	122 9	129 4	+0 1	-
Equity (Net)	183 4	193 0	-1.1	-
Adventurous Managed	86.3	90.9	-0 2	-
Managed (Net)	174.4	183 6	-1.0	-
Cautious Managed	95 0	100 1	-0 2	-
International (Net)	150.2	158 1	-1.3	-
Gilt & Fixed Interest	138.6	145 9	-0 4	-
Money Fund	141.5	148 9	....	-
Mixed Fund (Cap)	108 5	114 3		-
Mixed Fund (Acc)	113.2	119 2		-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	608.2	640 3	-4 6	-
Ret Man (Series 2)	206.3	217.2	-1.5	-
Ret Cash	200 3	210.9	+0.1	-
Pens Mixed Fd (Cap)	119.2	125.5	....	-
Pens Mixed Fd (Acc)	124 4	131 0		-
Pens Stlg Fd (Cap)	104.6	110.2	—	-
Pens Stlg Fd (Acc)	109.2	115.0		-
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	116 0	123.0	...	-
Building Soc. Fd	225.0	237.0	...	-
Balanced	242 0	255 0	-3 0	-
European	197 0	208 0	...	-
GT Managed	169 0	178.0	...	-
Gartmore Mngd	111.0	117.0	-1 0	-
German	122 0	129 0	-1.0	-
Gilt	163 0	172 0	+1.0	-
Global	34 0	36.0	...	-
International Equity	174 0	184 0	-1.0	-
Japan	140 0	148.0	-3 0	-
Leisure	47 0	50.0	—	-
Managed	38 0	40 0		-
Property	287 0	303.0	-15.0	-
UK Equity	215 0	227 0	-1.0	-
Pension Funds				
American	228 0	240.0	-2.0	-
Building Soc. Fd	242 0	255 0		-
Balanced	204 0	215.0	-2.0	-
European	219 0	231.0	+1 0	-
German	122 0	129.0	-1.0	-
Gilt	157 0	166.0	+1.0	-
Global	33.0	35.0	......	-

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Aug 26	£170.02	179.42	.	-
Equity Aug 26	£193 21	199 83	.	-
International Aug 26	£23.89	24.56	..	-
Intl Bond Aug 26	£13 84	14 03	...	-
Fixed Int Aug 26	£104.50	105 69	. ...	-
Index Linked Aug 26	£74 09	75 03	-	-
Property Aug 26	£110 32	116 38	. ..	-
Cash Aug 26	£31.2677	31.2677	..	-
Pre-Linked Retirement Plan				
Managed Sep 1	409 5	426 6	+5 3	-
Cash Sep 1	287 7	299 7	+0 7	-
Prudential Pensions Investment Account				
Pens Mngd Sep 3	164 3	176.5	...	-
Pens UK Eq Sep 3	284.7	306 9	+0.5	-
Pens Intl Sep 3	179 2	192 1	-1 0	-
Pens Global Eqty Sep 3	87 1	91.7	-0 1	-
Pens Fixed Sep 3	238 6	251 8	+0 8	-
Pens Index Lk Sep 3	187.7	198.2		-
Pens Property Sep 3	90.1	94 9	.	-
Pens Cash Sep 3	187 5	197 6	..	-
Money Purchase Plan				
Discretionary Sep 2	91 6	98.3	-0 5	-
Equity Sep 2	94 3	101.3	-0 7	-
International Sep 2	78.9	84 2	-0 6	-
Global Equity Sep 2	89 4	96.0	-0 6	-
Intl Bond Sep 2	94.3	99 2	-0 7	-
Fixed Interest Sep 5	110.2	115 8	-0 1	-
Index Linked Sep 2	99.3	104.6	-	-
Property Sep 2	99 6	109.2	..	-
Cash Sep 2	106 9	112.3	+0.1	-
Prudential Individual Life Funds				
1 Stephen St, London W1P 2AP 071-548 3287				
Series I Life Funds				
Managed	539.8	568.3	-2.3	-
Equity	1093.5	1151 1	-4 9	-
Fixed Interest	481.9	507.3		-
Property	389.5	410.1	+0 4	-
Cash	348.9	367 3		-
International	357 9	376.8	-2.8	-
Series II Life Funds				
Managed	522.0	549.5	-2.3	-
Equity	1054.5	1110.1	-4.7	-
International	346 2	364.5	-2.7	-
Fixed Intl	463.1	487.5		-
Property	374 4	394.2	+0.3	-
Cash	335.8	353.5	+0.1	-
Pacific Basin	171.3	180 4	-2.5	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM 0624 627610						
Intl Grth	5¼	443.5	443.5	475.9	-2.2	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 32 Athol St Douglas IoM 0624 661020						
L.J. International	5¼	85.10	85.10	89.20	-0.15	-
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662255						
Merc IoM Fund	5	94.24	94.24	100.6	-0.10	6.6
Merc Intl Bond	5	49.89	49.89	52.46	-0.17	8.3
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						
Unibank Scandinavian Fund Ltd						
19-21, Circular Rd. Douglas, IoM 0624 629420						
Scandinavia Fd	5	-	118.00	125.72	----	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
ATC Fund Management (SG) Ltd				
SG International	$10.00		----	-
AXA Equity & Law Intl Fund Mgs Ltd				
European Equity	143.52	150.84	-1.51	-
Far Eastern Equity	$2.2612	2.3799	-0.0290	-
North Amer Equity	$1.6728	1.7606	+0.0106	-
UK Equity	145.26	152.88	-0.65	-
Global Equity	101.30	106.61	-1.09	-
UK Gilt & Fxd Int	98.40	103.56	+0.15	-
Dollar Deposit		$0.9805	+0.0001	-
Sterling Deposit		£100.89	+0.08	-
Managed Currency	89.39	94.08	-0.52	-
Appleton Financial Advisors Ltd				
Appleton Capital Trust	95.0	101.0	----	-
CMI Fund Mngrs (IOM)				
Traders Fund Ltd	£516.96	18.33	----	-
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
	0.61	0.70	-0.03	0.00
	$2.21	1.38	----	0.00
Beckman Reserve Assets	103	103	----	2.62
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling	112.6	118.3	----	5.4
DL International	$1.48	1.57	----	2.4

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Aug 27 C$12.26xd						
First Aust Prime Inc Inv Co Ltd NAV Aug 27 US$10.27xd						
NAV Diluted to reflect exercise of all Wrts C$12.10xd US$10.13xd						
Fidelity Investment (CI) Ltd						
Sterling American			£2.479	2.609	+0.009	-
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16.53		----	-
Foreign & Colonial Mngt (Jersey) Ltd						
Hypo Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$18.82		----	-
Sterling Cash			£12.21		----	-
US$ Bonds			$15.44		+0.04	-
Multicurrency Bonds			$21.20		+0.08	-
Sterling Bonds			£13.15		----	-
D Mark Bonds			DM10.68		----	-
Ecu Bonds			Ecu11.21		+0.02	-
UK Equities			£9.41		-0.05	-
US Equities			$16.51		+0.01	-
Japanese Equities			Y596		-0.15	-
Contl Euro Equities			DM14.89		-0.05	-
UK Negative Equities			£14.23		+0.09	-
US Negative Eq			$10.06		----	-
Japanese Negative Eq			Y830		(z)	-
Cont Eur Negative Eq			DM-		----	-
UK Geared Equities			£-		----	-
US Geared Equities			$-		----	-
Japanese Geared Eq			Y1020		-48	-
Contl Euro Geared Eq			DM-		----	-
Gold			$9.69		+0.06	-
John Govett Management (Jersey) Ltd						
Mngr's Em Cr Aug 27			$9.74		----	-
			$7.88		----	-
Paragon Fd NAV Jul 31			$10.79		----	-
Paragon Redemption			$9.91		----	-
Hungarian Inv Co Jul 31			104.56		----	-
INVESCO MIM International Limited						
All Funds deal daily except where indicated.						
Sterling Denominated Income Funds						
American Equity Inc			£1.371	1.471	+0.001	3.24
Japan Inc & Grwth			£1.126	1.208	-0.005	2.80
Sterling Denominated Growth Funds						
Capital Deposit			£57.05	57.06	----	-
European Perform			£8.3590	8.5860	-0.0014	-
Far East			£1.898	2.041	-0.003	-
Pioneer Markets			£2.839	3.053	+0.008	-
UK Growth			£1.001	1.076	-0.004	2.69
$ Man Portfolio			£1.245	1.346	-0.015	-

Commercial Union Luxembourg SA – Contd.

Creevale Asset Advisors (Lux) SA (a)

DB Investment Management SA (a)

Den norske Bank

Dixa Income Fund

Dresdnerbank Asset Mngmt SA

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar reaches new low again

THE DOLLAR touched a new low against the D-Mark for the second day running as dealers were unprepared to support the US currency. However, the trend was one of disinterest rather than dislike and the foreign exchange markets were relatively quiet yesterday, *writes Peter John*.

Meanwhile, the pound firmed slightly against the D-Mark, with some support being seen as it languished near to its ERM floor.

The US currency opened mildly better, but dealers said there was no reason to buy it in spite of its relative cheapness and it continued to drift towards new lows against the D-Mark in early European trade.

Disappointing news from the Commerce Department on new US factory orders, shipments and unfilled orders in July had little effect. The July data had already been superseded on Tuesday by the more significant August figures from the US National Association of Purchasing Managers. These suggested that the US economy is likely to remain weak in the run-up to the Presidential election in November.

Mr Michael Feeny, a market analyst at Sumitomo Bank in London, said: "If anything, the economic data from the US is weaker yet again this week. Just because they are cheap there should be no rush to buy dollars."

Traders said customer business in dollars was very low and one argued that a market equilibrium had been reached. He added that most serious positions had been taken and any changes between now and the French referendum on the Maastricht treaty on September 20 would be prompted by "window dressing and scare-mongering".

The dollar hit a record low of DM1.3870 in Frankfurt. In London it closed at DM1.3905, off 30 basis points on the day. The US unit ended at $2.004 in London against the pound (compared with $2.002 in New York the previous night) and Y122.90 against the Japanese currency, after Y122.85 the previous day.

In New York last night the dollar improved to DM1.3942 and the pound ended at $1.9993.

Dealers said there were no reports of intervention from the central banks in the wake of the concerted intervention last week.

Sterling paused for breath, with most dealers taking stock of the announcement that the Bank of England's reserves fell by around $1.3bn last month. This indicated stronger official support for the pound than most had anticipated, raising concern that the level of intervention in August is unsustainable. The pound firmed ½ pfennig to DM2.7875 as buyers came in at the lower levels.

The Italian lira, which is also struggling near the bottom of the ERM ladder, saw support and held steady at L764.6 against the German currency.

£ IN NEW YORK

Sep 2	Close	Previous Close
£ Spot	1.9988-1.9998	2.0015-2.0025
1 month	1.13-1.11pm	1.18-1.17pm
3 months	3.42-3.39pm	3.45-3.42pm
12 months	12.8-12.7pm	12.9-12.8pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep 2	Previous
8.30 am	92.2	92.1
9.00 am	92.2	92.1
10.00 am	92.2	92.1
11.00 am	92.2	92.1
Noon	92.2	92.1
1.00 pm	92.2	92.1
2.00 pm	92.2	92.1
3.00 pm	92.2	92.1
4.00 pm	92.2	92.1

CURRENCY MOVEMENTS

Sep 2	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.2	-20.1
U S Dollar	58.2	-20.7
Canadian Dollar	96.9	-3.8
Austrian Schilling	112.2	+13.6
Belgian Franc	114.4	-0.1
Danish Krone	112.2	+5.6
D-Mark	123.2	+28.6
Swiss Franc	111.8	+20.0
Dutch Guilder	117.7	+18.6
French Franc	106.8	-10.6
Lira	100.3	-19.2
Yen	138.0	+76.3
Peseta	108.2	-18.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.1

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Sep 2	£	$
Argentina	1.9865 - 1.9895	0.9900 - 0.9910
Australia	2.7900 - 2.7920	1.3910 - 1.3920
Brazil	10384.0 - 10394.5	5184.20 - 5184.40
Finland	7.6720 - 7.6960	3.8270 - 3.8300
Greece	343.450 - 348.950	171.530 - 174.270
Hong Kong	15.4865 - 15.5005	7.7275 - 7.7285
Iran	2800.00*	1430.00*
Korea(Sth)	1569.80 - 1584.95	782.10 - 788.30
Kuwait	0.58050 - 0.58150	0.28930 - 0.28960
Luxembourg	57.45 - 57.55	28.65 - 28.75
Malaysia	4.9855 - 4.9890	2.4890 - 2.4900
Mexico	6018.00 - 6032.55	3070.00 - 3071.00
N.Zealand	3.7095 - 3.7135	1.8500 - 1.8520
Saudi Ar	7.4695 - 7.5465	3.7495 - 3.7505
Singapore	3.1905 - 3.1985	1.5925 - 1.5935
S.Af (Cm)	5.4650 - 5.4780	2.7300 - 2.7330
S.Af (Fn)	7.4065 - 7.4485	3.6940 - 3.7150
Taiwan	50.20 - 50.40	25.05 - 25.15
U.A.E.	7.3135 - 7.3910	3.6715 - 3.6735

*Floating rate. Iran Official rate £121.20 $63.00

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 2	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	42.4032	41.7825	-1.46	5.91	45
Spanish Peseta	133.631	131.693	-1.45	5.90	24
D-Mark	2.05586	2.02624	-1.44	5.89	57
Dutch Guilder	2.31643	2.28464	-1.37	5.81	41
Portuguese Escudo	178.735	177.848	-0.50	4.88	7
Danish Krone	7.84195	7.85121	0.12	4.24	-30
Irish Punt	0.767417	0.768632	0.16	4.20	-31
French Franc	6.89509	6.90918	0.20	4.15	-41
Italian Lira	1538.24	1549.86	0.76	3.58	-64
Sterling	0.696904	0.727306	4.36	0.00	-85

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	2.0010 - 2.0085	2.0035 - 2.0045	1.13-1.11cpm	6.71	3.42-3.39pm	6.80
Canada	2.3940 - 2.4050	2.3995 - 2.4005	1.13-1.09cpm	5.55	3.47-3.41pm	5.73
Netherlands	3.1350 - 3.1475	3.1350 - 3.1450	⅛-parcpm	0.24	½-¼pm	0.48
Belgium	57.35 - 57.65	57.45 - 57.55	3-2cpm	0.52	9-4pm	0.45
Denmark	10.7875 - 10.8125	10.7925 - 10.8025	¼-1¾oredis	-1.18	1¼-3¼dis	-0.90
Ireland	1.0550 - 1.0600	1.0555 - 1.0565	0.07-0.04cpm	0.63	0.12-0.05pm	0.32
Germany	2.7850 - 2.7900	2.7850 - 2.7900	¼-parpfpm	0.27	½-¼pm	0.63
Portugal	243.50 - 245.25	243.50 - 244.50	70-110cdis	-4.43	225-290dis	-4.22
Spain	180.80 - 181.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	2127.75 - 2134.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	11.0225 - 11.0550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	9.4925 - 9.5275	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	10.1800 - 10.2100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	245.75 - 247.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	19.56 - 19.68	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	2.4725 - 2.4900	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	1.3770 - 1.3795	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.75-6.70pm. 12 Month 12.80-12.70pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

Sep 2	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9⅞ - 9⅛	9⅞ - 9⅝	10⅛ - 9⅞	10½ - 10⅜	10⅝ - 10⅜	10¼ - 10⅛
US Dollar	3⅜ - 3⅞	3⅜ - 3⅛	3⅛ - 3⅜	3½ - 3⅜	3⅜ - 3⅛	3⅜ - 3⅛
Can. Dollar	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 4⅞	5 - 4⅞	5 - 4⅞	5⅛ - 4⅞
Dutch Guilder	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝
Swiss Franc	8 - 7⅞	8 - 7⅞	7⅞ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅝
D-Mark	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝
French Franc	10⅛ - 10	10⅛ - 10	10⅞ - 10⅛	10⅞ - 10⅝	10⅞ - 10½	10⅞ - 10½
Italian Lira	16 - 14	17½ - 16⅛	17⅞ - 16⅞	16½ - 16	16½ - 16	16⅛ - 15⅞
Belgian Franc	10⅛ - 10⅛	10⅛ - 10	10 - 9⅞	10 - 9⅞	10 - 9⅞	10 - 9⅞
Yen	4⅜ - 4⅛	4⅜ - 4⅛	4⅜ - 4⅛	4 - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞
Danish Krone	10½ - 10⅛	10½ - 10⅛	10½ - 10⅛	10½ - 10⅛	10½ - 10⅛	10½ - 10⅛
Asian $Sing.	⅜ - ⅛	⅝ - ½	1⅜ - 1⅛	2⅛ - 2	2⅜ - 2⅛	2⅝ - 2⅛
Spanish Peseta	13⅞ - 12⅞	13⅛ - 12⅞	13⅞ - 13⅛	13⅞ - 13⅛	13⅞ - 13⅞	14⅛ - 13⅞

Long term Eurodollars: two years 4⅛-4⅛ per cent; three years 5-4⅞ per cent; four years 5⅛-5⅛ per cent; five years 5⅞-5⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

Sep 2	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	2.004	2.787	246.2	9.500	2.485	3.140	2131	2.400	57.50	181.0	1.379
$	0.499	1	1.391	122.9	4.741	1.240	1.567	1063	1.198	28.69	90.32	0.688
DM	0.359	0.719	1	88.34	3.409	0.892	1.127	764.6	0.861	20.63	64.94	0.495
YEN	4.062	8.140	11.32	1000.	38.59	10.09	12.75	8656	9.748	233.5	735.2	5.601
F Fr.	1.053	2.109	2.934	259.2	10.	2.616	3.305	2243	2.526	60.53	190.5	1.452
S Fr.	0.402	0.806	1.122	99.07	3.823	1	1.264	857.5	0.966	23.14	72.84	0.555
H Fl.	0.318	0.638	0.888	78.41	3.025	0.791	1	678.7	0.764	18.31	57.64	0.439
Lira	0.469	0.940	1.308	115.5	4.458	1.166	1.473	1000.	1.126	26.98	84.94	0.647
C$	0.417	0.835	1.161	102.6	3.958	1.035	1.308	887.9	1	23.96	75.42	0.575
B Fr.	1.739	3.485	4.847	428.2	16.52	4.322	5.461	3706	4.174	100.	314.8	2.398
Pta	0.552	1.107	1.540	136.0	5.249	1.373	1.735	1177	1.326	31.77	100.	0.762
Ecu	0.725	1.453	2.021	178.5	6.889	1.802	2.277	1545	1.740	41.70	131.3	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

THREE MONTH ECU

	Close	High	Low	Prev.
Sep	92.07	92.18	92.06	92.16
Dec	92.16	92.33	92.15	92.30
Mar	92.45	92.57	92.42	92.54
Jun	92.64	92.67	92.63	92.73

Estimated volume 10347 (10288)
Previous day's open int. 53145 (52200)

THREE MONTH EUROLIRA INT. RATE
LIRA 1,000m points of 100%

	Close	High	Low	Prev.
Sep	83.76	83.80	83.58	83.73
Dec	84.62	84.64	84.28	84.48
Mar	85.46	85.51	85.20	85.36
Jun	86.00	86.05	86.00	85.87

Estimated volume 0

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Sep	2327.0	2331.0	2287.0	2301.0
Dec	2371.5	2375.0	2339.0	2347.5
Mar	2407.0			2383.0

Estimated volume 763 (6883)
Previous day's open int. 48813 (49144)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
2.0040	1.9928	1.9700	1.9368	1.8765

Estimated volume N/A † Total Open Interest 15,512

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
104	2.19	-	-	0.90	-	-
105	1.54	2.00	-	1.30	1.62	-
106	1.07	1.63	-	1.76	-	-
107	0.70	-	-	2.38	-	-
108	0.41	0.83	-	-	-	-
Open Int	266,714	49,330	-	161,536	38,920	-

Estimated volume N/A † Total Open Interest 606,500
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Futures squeezed

A BEAR trap was sprung in the sterling futures market yesterday. Traders who had been persistent sellers of futures contracts in the expectation of higher UK base rates were caught out by glimmers of returning confidence, triggered by the ½ pfennig strengthening of the pound against the D-Mark to DM2.7875.

Meanwhile, in the cash market the Bank of England's large offer of assistance was coolly received as easier interbank rates, especially short-term rates, discouraged the clearing banks.

UK clearing bank base lending rate 10 per cent from May 5, 1992

Sterling futures saw unusually high turnover yesterday, with December trading more than 30,000 contracts by the official close. The squeeze began around midday with the publication of opinion polls indicating the possibility of a "Yes" vote in the September 20 French referendum on Maastricht.

There was a rush to buy short sterling, and the December contract leapt from 89.16 to 89.46, an abnormally wide spread of 30 basis points. That indicates slightly lower expectations that base rates, now 10 per cent, will rise in the near future. The key three-month interbank rate, a good guide to market thinking about the direction of base rates, eased from about 10⅝ per cent to 10⅞ per cent. The one-year rate also dipped slightly, from about 10⅝ per cent to around 10⅜ per cent.

The September contract, which expires before the French Maastricht vote, was also heavily traded and moved up 18 basis points to 89.45.

Earlier in the day, the Bank of England forecast a shortage of £950m, later revised to £1bn. This was far higher than expected.

However, most banks were unprepared to take up the shortage and only £585m was provided, much of it in late assistance. Initially, the Bank bought £56m in Band 3 bills at 9¾ per cent and £24m of Band 4 bills at 9⅞ per cent. In the afternoon the Bank purchased £130m of Band 1 bills at 9¾ per cent. Finally it provided late assistance of around £375m.

One dealer said the Bank's help on Tuesday had taken the market comfortably into surplus.

As a result, aggressive trading yesterday morning brought the overnight rate down and left the rates offered by the Bank of England *unattractive*.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep 2) 3 months US dollars		6 months US Dollars	
bid 3⅜	offer 3½	bid 3⅞	offer 3⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6	One month	3.14	Three year	4.57
Broker loan rate	5¼	Two month	3.26	Five year	5.49
Fed funds	3⅛	Three month	3.21	Seven year	6.03
Fed funds at intervention	-	Six month	3.31	10-year	6.53
		One year	3.42	30-year	7.37
		Two year	4.10		

Sep 2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.60-9.70	9.75-9.85	9.75-9.85	[illegible]	[illegible]	9.75
Paris	10-10⅛	10⅛-10⅜	10⅛-10⅜	[illegible]	[illegible]	9.60
Zurich	7⅛-7⅜	7⅝-7⅞	-	[illegible]	[illegible]	-
Amsterdam	9.75-9.88	9.78-9.83	-	[illegible]	[illegible]	-
Tokyo	4⅛-4⅜	4⅛-4⅛	-	[illegible]	[illegible]	-
Milan	15⅞-15⅞	18⅛-18⅜	-	[illegible]	[illegible]	-
Brussels	9⅞-10⅛	9⅞-10	-	[illegible]	[illegible]	-
Dublin	10-10⅛	10½-10⅞	10⅜-10⅛	[illegible]	[illegible]	-

LONDON MONEY RATES

Sep 2	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	9⅞	10⅛	[illegible]	[illegible]	[illegible]
Interbank Bid	9	9½	9⅞	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	9⅞	[illegible]	[illegible]	[illegible]
Local Authority Deps.	9¼	9¾	9⅞	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	9¾	9¾	-	[illegible]	[illegible]	[illegible]
Company Deposits	-	-	-	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	10	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	9¾	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	-	-	9⅞	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	-	-	-	[illegible]	[illegible]	[illegible]
Dollar CDs	-	-	3.28	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	-	-	6⅛	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	-	-	5⅞	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	11⅜	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	11⅜	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 9⅝ per cent; three months [illegible] per cent; Bank Bills (sell): one-month 9⅝ per cent; three months [illegible]; tender rate of discount [illegible] ECGD Fixed Rate Sterling Export Finance [illegible] 1992. Agreed rates for period Sep. 23, 1992 to October [illegible] Schemes II & III: 11.66 p.c. Reference rate for period [illegible] Scheme IV&V: 10.379 p.c. Local Authority and Finance Houses seven days' fixed. Finance Houses Base Rate 10½ from September 1, 1992. Deposit rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit [illegible] over held under one month 6½ per cent; one-three months [illegible] six-nine months 8½ per cent; nine-twelve months 8½ per cent [illegible] May 6, 1992. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,941 Set by VIXEN

ACROSS
1 4 takes one in quiet period of relaxation (6)
4 1 ac. gets little rest maybe (8)
9 Entranced by golden bird (6)
10 Offering a suggestion to the personnel officer (8)
12 Strippers – they save their money (8)
13 Demonstration of affection scares models (6)
15 Sent back fit for discharge (4)
16 A shady character's misdemeanour? (7)
20 The businessman coloured when stuck (7)
21 Combat wear (4)
25 Put bun-mix on tip and relax (6)
26 Running water in road vehicles for making drinks (8)
28 Standard names incorrectly used for cheese (8)
29 Many a combine is venturesome (6)
30 A wild plant that's quite without equal (8)
31 Direction should be looked for (6)

DOWN
1 The ruination of parties, a hanger-on can be (8)
2 Sense hesitation in a foreign dealer (8)
3 Gets down to work in a ship (6)
5 A once-revered figure, as is written repeatedly (4)
6 An insect mutation for example (8)
7 Discovers there's not much left (6)
8 Deny an adjudicator employment (6)
11 The little Greek behind Edward did hard labour (7)
14 Few cut a trainee (7)
17 No 1 ac. could possibly make such signs (8)
18 Getting one's outfit into better shape is imperative! (8)
19 Seeing a company rowing about agreement (8)
22 A law-breaker, sanctimonious in manner (6)
23 Robe specially fitted on a king (6)
24 Where to go to shoot duck? (6)
27 Fine powder supplied in metal cans (4).

Solution to Puzzle No.7,940

WORLD STOCK MARKETS

AUSTRIA — September 2 — Sch. — + or −

[illegible]

BELGIUM/LUXEMBOURG — September 2 — Frs. — + or −

[illegible]

DENMARK — September 2 — Kr — + or −

[illegible]

FINLAND — September 2 — Mks — + or −

[illegible]

FRANCE — September 2 — Frs. — + or −

[illegible]

FRANCE (continued) — September 2 — Frs. — + or −

[illegible]

GERMANY — September 2 — Dm. — + or −

[illegible]

GERMANY (continued) — September 2 — Dm. — + or −

[illegible]

ITALY — September 2 — Lire — + or −

[illegible]

NETHERLANDS — September 2 — Fls. — + or −

[illegible]

NETHERLANDS (continued) — September 2 — Fls. — + or −

[illegible]

NORWAY — September 2 — Kroner — + or −

[illegible]

SPAIN — September 2 — Pts. — + or −

[illegible]

SWEDEN — September 2 — Kronor — + or −

[illegible]

SWEDEN (continued) — September 2 — Kronor — + or −

[illegible]

SWITZERLAND — September 2 — Frs. — + or −

[illegible]

SOUTH AFRICA — September 2 — Rand — + or −

[illegible]

JAPAN — September 2 — Yen — + or −

[illegible]

AUSTRALIA — September 2 — Aust.$ — + or −

[illegible]

AUSTRALIA (continued) — September 2 — Aust.$ — + or −

[illegible]

HONG KONG — September 2 — H.K.$ — + or −

[illegible]

MALAYSIA — September 2 — M$ — + or −

[illegible]

SINGAPORE — September 2 — S$ — + or −

[illegible]

Price data supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) Unavailable. ✱ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

4 pm close September 2

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
	[illegible]				
2700	Laidlaw A	$10	9⅞	10	+⅛
343300	Laidlaw B	$10⅛	9⅞	10⅛	+¼
51200	Laurent Bk	$17¾	17¼	17¾	+⅛
24200	Cominco	$22⅝	22½	22½	−⅛
1000	Coputalog	60	60	60	
2500	SLawrCm A	$8	7¼	8	+¼
4100	Videotron x	$18¾	18½	18⅝	+⅛

Total Sales 15,689,200 shares

MONTREAL

4 pm close September 2

[illegible]

INDICES

NEW YORK

DOW JONES	Sep 2	Sep 1	Aug 31	Aug 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3290.31	3266.26	3257.35	3267.61	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.24	102.04	102.16	102.17	102.47 (18/8)	98.41 (20/3)	102.47 (18/8/92)	54.99 (1/10/81)
Transport	1269.93	1240.23	1221.26	1216.28	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.70	220.02	219.02	219.52	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl Day's High 3301.92 (3279.23) Low 3249.78 (3239.79) (Theoretical)♦
Day's High 3292.47 (3266.26) Low 3264.10 (3254.37) (Actual)♦

STANDARD AND POOR'S	Sep 2	Sep 1	Aug 31	Aug 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.98	416.07	414.03	414.84	425.09 (3/8)	394.50 (8/4)	425.09 (3/8/92)	4.40 (1/6/32)
Industrials	491.97	489.61	487.27	487.72	499.51 (3/8)	470.91 (8/4)	499.51 (3/8/92)	3.62 (21/6/32)
Financial	35.33	35.11	34.86	35.15	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	230.01	229.02	228.03	228.43	233.66 (3/8)	217.92 (8/4)	233.66 (3/8/92)	4.46 (25/4/42)
Amex Mkt. Value	382.73	381.44	380.78	381.18	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	571.25	565.61	563.12	563.56	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Aug 28	Aug 21	Aug 14	year ago (approx.)
Dow Industrial Div. Yield	3.16	3.17	3.11	3.01

	Aug 26	Aug 19	Aug 12	year ago (approx.)
S & P Industrial div. yield	2.64	2.62	2.62	2.63
S & P Indl. P/E ratio	27.18	29.06	29.00	21.71

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Fleet Fin	6,436,500	28	+ ¼
Limited	3,477,100	23¾	+ 1⅛
RJR Nabisco	2,699,000	8¾	+ ⅛
Merck	2,321,600	47¾	- ½
Diagnostek	2,212,000	17	+ ½
ADV Micro	2,048,000	11½	+ 1
Gen Motors	1,931,100	34⅛	- ⅛
Glaxo	1,921,200	29	+ 1
Philip Morris	1,868,900	84⅛	+ 1¾
Compaq Comp	1,854,900	33⅞	+ 1¾

TRADING ACTIVITY

† Volume (Millions)	Sep 2	Sep 1	Aug 31
New York SE	187.010	172.650	160.230
Amex	10.372	10.508	11.225
NASDAQ	(u)	156.869	133.532
NYSE			
Issues Traded	2,319	2,315	2,324
Rises	1,097	949	862
Falls	623	741	865
Unchanged	599	625	597
New Highs	63	54	58
New Lows	16	22	17

CANADA

TORONTO	Sep 2	Sep 1	Aug 31	Aug 28	1992 HIGH	1992 LOW
Metals & Minerals	2971.86	2924.51	2949.71	2973.06	3238.87 (16/1)	2828.26 (8/4)
Composite	3436.71	3407.63	3402.92	3403.00	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1792.15	1773.19	1776.13	1783.00	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Sep 2	Sep 1	Aug 31	Aug 28	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1528.5	1542.5	1547.2	1553.9	1684.50 (22/5)	1517.40 (25/8)
All Mining (1/1/80)	674.8	679.9	678.7	682.6	726.80 (3/7)	658.90 (25/8)
AUSTRIA						
Credit Aktien (30/12/84)	300.02	302.37	305.20	300.13	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	717.86	724.60	735.58	717.36	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1046.07	1050.06	1057.31	1062.13	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	268.82	274.97	278.99	279.72	365.29 (15/1)	268.82 (2/9)
FINLAND						
HEX General (28/12/90)	557.5	562.1	572.9	571.8	936.90 (24/2)	557.50 (2/9)
FRANCE						
CAC General (31/12/82)	462.23	466.24	468.01	466.51	556.93 (12/5)	462.23 (2/9)
CAC 40 (31/12/87)	1711.41	1674.23	1684.88	1687.53	2077.49 (11/5)	1667.72 (25/8)
GERMANY						
FAZ Aktien (31/12/58)	594.32	601.16	605.04	593.85	725.26 (26/5)	582.34 (26/8)
Commerzbank (1/12/53)	1677.60	1698.60	1709.00	1676.40	2043.80 (25/5)	1642.70 (26/8)
DAX (30/12/87)	1506.67	1518.70	1541.25	1516.47	1811.57 (25/5)	1468.91 (25/8)
HONG KONG						
Hang Seng Bank (31/7/64)	5734.45	5711.57	(c)	5628.60	6162.52 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1219.18	1215.14	1218.25	1219.65	1469.57 (17/1)	1208.18 (26/8)
ITALY						
Banca Com. Ital. (1972)	375.34	384.99	390.93	393.60	551.59 (6/2)	375.34 (2/9)
MIB General (2/1/92)	736.0	755.0	767.0	772.0	1086.00 (5/2)	736.00 (2/9)
JAPAN						
Nikkei (16/5/49)	17587.72	17740.06	18061.12	17978.79t	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1349.05	1370.27	1385.51	1379.97	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1789.50	1813.26	1801.82	1760.38	2459.85 (6/1)	1582.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	572.92	573.50	(c)	574.73	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS TU.Rtn.Gen (End 1983)	280.2	280.7	282.6	282.3	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	190.9	191.3	192.6	192.8	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	552.83	555.79	575.24	596.49	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1392.34	1366.91	1376.66	1386.77	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	366.55	369.14	369.30	365.57	416.99 (21/1)	354.15 (19/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	940.04	954.0	938.0	935.0	1327.00 (21/1)	929.00 (25/8)
JSE Industrial (28/9/78)	4078.04	4074.0	4054.0	4060.0	4689.00 (4/6)	3973.00 (14/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	562.74	558.60	562.80	518.56	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	209.82	206.37	204.97	205.61	266.51 (28/2)	203.76 (26/8)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	746.4	751.6	772.70	780.00	1014.50 (11/5)	732.30 (25/8)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	818.6	816.9	819.3	817.5	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	613.2	610.2	611.9	609.1	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3933.61	3960.45	3946.35	3862.46	5391.63 (30/1)	3733.06 (20/8)
THAILAND						
Bangok SET (30/4/75)	762.42	753.53	746.51	753.26	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	505.4*	506.6	506.6	506.5	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	805.16	803.70	811.16	810.03	976.55 (25/5)	793.32 (25/8)

**Saturday August 29: Taiwan Weighted Price (c). Korea Comp Ex. 539.21.
♦ Subject to official recalculation t-Correction. *Calculated at 15.00 GMT
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 2b Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, September 2, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk	2.1m	1,130	+20	Kirabo Ind	1.0m	600	-16
Green Cross	2.1m	1,750	+90	Honshu Paper	0.7m	511	+36
Ishihara Sangyo	1.7m	546	+45	Jpn Mtl & Chem	0.7m	799	-11
Taiyo Fishery	1.4m	526	+25	Daiichi Seiyaku	0.6m	1,750	-20
Nippon Zeon	1.1m	731	+6	Ajinomoto	0.5m	1,430	+30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close September 2

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp	0.48	3.9	19	73	12¼	12	12¼	+⅛
26	18	A L Labs A	0.16	0.8	79	307	22⅛	21⅞	22⅛	+¼
66¾	52⅞	AMP Inc	1.52	2.8	21	3062	55¼	54¼	55⅛	+⅞
80¼	56	AMR				219891	59⅞	57¼	59⅞	+2¼
2⅜	1⅜	ARX			18	9	1⅜	1⅜	1⅜	
53½	35⅜	ASA	2.00	5.5	24	102	36⅝	36⅛	36¼	-¼
34¼	26⅛	Abbott Lab	0.60	1.9	22	6896	31⅜	30⅞	31⅛	-⅛
13⅞	11⅞	Abitibi Pr	0.50	4.1	6	6	12¼	12¼	12¼	
11⅝	10½	ACM Gvt In	1.08	9.6		223	11⅜	11¼	11⅜	
10⅜	9⅛	ACM GvOpp	0.92	9.3		49	9⅞	9¾	9⅞	+⅛
9½	8½	ACM Gvt Sp x	0.80	8.5		434	u9½	9¼	9⅜	+⅛
11¼	10⅛	ACM Gvt Se x	1.08	9.8		464	11⅛	11	11	-⅛
10¼	8⅝	ACM Man	0.98	9.4		389	u10⅜	10⅛	10⅜	+¼
12⅞	10½	ACM Managd	0.99	9.1		71	10⅞	10⅝	10⅞	+¼
11¾	4¼	Acme Cleve	0.40	6.9	13	191	6⅞	6⅝	6¼	
6¼	4⅜	Acme Elect			35	8	4⅞	4¾	4¾	-¼
33¼	17⅛	Acuson			11	937	17½	17⅜	17½	
19½	16⅛	Adams Expr	0.48	2.6	0	157	u19½	19¼	19¼	-⅛
49⅛	29½	Ad Micro x	3.00	7.8		226	38⅞	37	38⅛	+1⅛
21½	7½	Ad Micro P	3.00	26.4	4	1679	11⅝	10⅝	11⅜	+⅞
9⅛	4⅞	Advest Grp	0.16	3.0	65	8	5¼	5⅛	5¼	+⅛
39½	33	Aegon ADR x	1.68	4.3	7	41	39¼	39	39	+1⅛
47	38¼	Aetna Ll	2.76	7.0	10	4310	39⅞	38⅞	39⅝	+1
12¾	8⅛	Ahll A	0.24	2.2	13	399	11⅞	11⅛	11⅛	-⅛
34	24	Allac	0.44	1.4	15	578	32½	32¼	32¼	
19⅜	15⅛	Ahmanson	0.88	5.7	7	2790	15½	15¼	15⅜	-⅛
22½	5⅝	Aileen Inc			10	35	6⅛	6⅛	6⅛	
49½	36½	Air Pr Chm	0.86	2.0	18	1606	43⅞	42⅝	43¼	+1
29¾	12½	Airbne Frt	0.30	2.0	29	774	15	14⅛	14⅞	+1
34¼	22⅝	Airgas Inc			24	107	29½	28½	29¼	-¼
12⅜	8¼	Airlease	1.68	14.0	9	96	12	11¾	12	+⅛
104	99½	AlaPw8.16 x	8.16	7.9		z100	102½	102½	103	
106½	101½	Alab Pw 9P	9.00	8.6		2	102½	102½	104½	+2
105	100¼	Alab 8.28C x	8.28	8.0		2	103	102	103	+1½
11¼	10½	AlaPwDpPl x	0.87	8.1		6	10¾	10¾	10¾	
23⅞	17¼	Alaska Air	0.20	1.1	9	138	18¼	17⅞	18	
21¼	13⅞	Albany Int x	0.35	2.4	56	115	14¾	14⅝	14⅝	-⅛
32	21¼	AlCulvr B	0.24	1.0	18	68	24⅜	24¼	24⅜	+⅛
25¾	19⅝	AlCulvr A	0.24	1.1	20	19	22⅝	22⅜	22⅝	
44⅞	36¼	Albertsons	0.64	1.5	24	1785	43⅞	43½	43⅝	-⅛
22¾	18½	Alcan Alum	0.30	1.6	47	2298	19¼	d18½	19	+¼
42⅞	33¼	Alco Stand	0.92	2.7	15	774	34⅝	34	34⅝	+¼
23⅛	15⅛	AlexBrown	0.40	2.6	4	391	16¼	16	16⅛	
25½	18	Alexr Alex x	1.00	4.0	104	1572	25⅜	25	25	-⅛
36⅝	27½	Allegh Lud x	0.88	2.7	24	171	32⅞	32½	32¾	+⅛
48¼	41½	Allegh Pow	3.20	6.6	12	706	u48¼	48	48¼	+⅛
31	22⅜	Allen Gp	1.75	6.2		1795	28	27⅝	28	+⅜
30	18⅞	Allen Con	0.20	0.9	14	399	23⅛	22⅞	23	+¼
27¼	20⅜	Allergan x	0.40	1.6	17	987	24½	24⅛	24½	+¼
39⅛	29½	Allnce Cap	2.40	7.1	13	92	33⅞	33½	33⅞	+⅜
12½	9¼	Allnce Gl	0.18	1.9		43	9½	9⅜	9½	+⅛
21¼	18¼	Alld Irish	0.82	4.2	12	4	19¾	19½	19½	
61¼	40⅞	Alld Sig	1.00	1.9	45	2167	52⅞	52	52⅞	+⅜
11⅞	9⅞	AlstMunTr	0.76	7.1		413	10¾	10⅝	10⅝	
9⅞	8⅞	AlstIncOp	0.72	8.2		323	9	d8¾	8¾	-⅛
10½	9¼	AlstMnInc x	0.72	7.4		3	9¾	9⅝	9¾	+⅛
10⅛	9½	AlstMnInc	0.80	8.2		166	9⅞	9¾	9¾	
47⅞	34¾	Alltel Crp x	1.48	3.5	17	1151	u42⅛	41½	41⅞	+⅛
8⅜	5½	Allwaste			17	206	5¾	5⅝	5¾	
80⅝	61	Alcoa	1.60	2.4		2515858	67⅞	65¼	67⅞	+2¼
55⅛	38⅞	Alza Cp A			68	1210	47⅛	46⅝	47	+⅛
11½	10¼	AmGovInc x	0.96	8.7		169	11	10⅞	11	
8½	6½	Am Precis	0.22	3.3	15	5	6¾	6¾	6¾	
23⅞	16½	Amax	0.80	4.4	48	1689	18⅛	17⅞	18	+⅛
[illegible]										

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge
82¼	66½	Xerox x	3.00	3.9	18	1574	76⅝	75½	76¼	+⅝
55	50½	Xerox4 125 x				2	53	53	54⅝	+1⅝
33¼	24⅞	Xtra 1 94	1.94	6.3		242	31	30¾	30¾	
45⅞	28½	Xtra Corp	0.80	1.9	12	231	42¼	42⅛	42¼	
29½	25¼	Yankee Egy x	1.66	5.6	13	80	u29¾	29¼	29¾	+⅛
1½	½	Zapata			25	364	1⅛	1	1	
11⅛	6⅜	ZenithElec			4	791	6⅞	6⅝	6¾	−⅛
19½	14½	Zenith Nat	1.00	5.7	8	82	17⅝	17½	17⅝	
7½	6	Zenix Inc	0.82	11.5		182	7⅛	7	7⅛	+⅛
13¾	10	Zero Corp	0.40	3.2	19	75	12⅝	12¼	12½	+¼
38	27⅜	Zurn Ind	0.88	2.9	33	188	31⅛	30½	30⅞	−¼
14⅛	12	Zweig Fund	1.12	8.8		221	12⅞	12¾	12¾	−⅛
11	9½	Zweig Totl	0.96	9.3		455	10⅜	10¼	10⅜	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close September 2

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
B&H Ocean	0.65	1	54	2⅞	d2¼	2⅜	
BaldwinT A	0.04	75	75	3⅞	3¾	3¾	
Barry RG		49	140	7	7	7	
BAT Ind	0.45	18	319	14⅞	14⅜	14⅜	
Beard Oil		0	162	[illegible]	[illegible]	[illegible]	[illegible]
Bergen Br	0.40	14	581	19½	19¼	19⅜	−⅛
Blair Corp	1.00	68	4	24	23¾	24	+⅛
Bio-Rad A		9	25	19⅞	18⅞	18⅞	−½
Blount A	0.45	117	19	u9⅜	9¼	9⅜	+¼
Bolar Ph		7	188	9⅛	8¾	9	+⅛
Bow Valley		3	70	9½	9⅜	9½	+⅛
Bowmar		12	283	2⅞	2⅛	2⅞	+⅛
Bowne	0.30	11	98	16⅝	16⅛	16⅜	+⅛
Brascan A	0.88	25	48	15	15	15	+⅛
BSN Corp	0.18	11	35	6½	6⅜	6½	+⅛
Cal Engy		14	318	12⅛	11⅞	12	+⅛
Calprop		0	17	1	1	1	
Can Marc	0.23	9	2	12⅜	12⅜	12⅜	
Chambrs A	0.01	9	328	7¾	7⅜	7⅜	+⅛
Chambers		10	70	8	7½	8	+⅛
Champion		40	45	4	3⅞	4	+⅛
Chiles		0	32	1⅜	1 3/16	1 3/16	−1/16
Esstgroup	1.64	5	3	13	13	12⅞	
Echo Bay	0.07	159	824	6⅝	6¼	6⅝	
Ecol En A	0.22	11	9	13⅞	13⅛	13⅞	
Edisto		0	916	[illegible]	½	½	−1/16
Engy Serv		4	362	1⅜	1¼	1¼	
Fab Inds	0.80	9	22	28⅝	28⅝	28⅝	
Fina Inc A x	3.20	36	25	68¼	d67½	68¼	+½
FstCityBnc	0.15	11	2	7⅞	7⅞	8	+⅛
Fluke (J)	0.48	29	14	27½	27¼	27½	+⅜
Forest La		32	580	38⅝	38¼	38⅝	+⅜
Frequency		58	13	4⅜	4⅜	4½	
Fr alLoan		19	1021	38¾	38¼	38¾	−⅛
Giant FdA	0.68	15	525	20⅛	19⅞	20⅛	+⅛
Glatfltr	1.40	14	65	22⅞	22½	22⅞	
Goldfield		2	145	½	7/16	7/16	−1/16
Greenman		6	16	5⅛	5	5⅛	+⅛
Gulf Cda	0.34	5	51	4½	4 7/16	4 7/16	−1/16
Hasbro	0.20	19	738	30⅝	30¼	30⅝	+⅜
Health Ch		8	z100	1⅜	1⅜	1⅜	
Healthvst		5	11	1¾	1⅜	1¾	
Heico Cp	0.15	17	10	13¼	13¼	13¼	
Hillhaven		3	3136	2⅝	2 7/16	2½	−⅛
Lee Pharm		3	5	1¼	1⅛	1⅛	−⅛
Lionel Cp		0	17	[illegible]	d¼	[illegible]	+1/16
Lumex Inc		12	127	11⅞	10⅞	11⅛	−¼
Lynch Cp		15	2	19	19	18¾	
MagmaCopB		7	z0	0	d0	5¼	
Matec'ISc		11	122	13⅜	13⅛	13⅜	+¼
Maxxam		13	206	25¾	25⅜	25¾	+⅜
Media A	0.44	7	243	17⅞	17⅜	17⅞	+½
Mem Co		19	20	5	d5	5⅝	+⅝
Michi En	0.40	17	20	16¼	15⅞	16¼	
Moog A		19	17	5	5	5	
MSR Expl		2	180	¾	11/16	¾	
Nat Pcnt		2	54	3¼	3 3/16	3¼	
New Line		20	128	11⅜	11¼	11⅜	
NY TimesA x	0.56	31	461	26½	26	26½	+¼
NthCanOil	0.17	93	165	u14	13⅜	14	+¼
Numac OiG		2	10	4⅛	4⅛	4⅛	
NV Ryan		0	13	[illegible]	[illegible]	[illegible]	
Odetics A		32	32	5¼	5⅛	5⅛	
Oiaten	0.32	27	45	29⅞	29⅛	29½	+½
OMI Corp	0.14	7	z0	0	d0	6⅝	
Pall Corp	0.36	27	496	26⅜	25⅞	26¼	+⅜
Pegasus G	0.10	38	1381	u17⅜	17	17⅛	−⅛
Perini	0.80	20	4	11¼	11⅛	11¼	+⅛
Pet HI&P	1.14	13	45	16⅛	16¾	16⅛	+⅛
Phil LD	0.21	16	688	39¼	39	39	+¼
Pitway A	1.10	16	153	30⅝	29⅞	30⅜	+½
Ply Gem	0.12	23	32	10¾	10½	10¾	
PMC	0.66	15	344	10¼	10⅛	10⅛	
PresidioA	0.10	1	106	1¾	d1⅝	1¾	+⅛
Price Com		0	10	⅛	⅛	3/32	−1/32
RB&W Cp		2	3	4	4	4	
RiedelEnv		4	24	5¾	5½	5⅝	
SJW Corp	1.98	7	4	35¼	35	35¼	+½
SthnUnion		45	27	15⅝	15⅜	15½	+¼
Sterl El		12	61	4⅜	4¼	4¼	+⅛
TII Ind		2	80	1½	1½	1½	−⅛
Tab Prods x	0.40	38	14	10⅛	10	10	−⅛
Tel&Data	0.32	46	411	35⅞	35⅝	35⅝	−⅛
Thermedics		131	31	7⅞	7⅞	7⅞	−⅛
Thermotrex		25	115	25⅝	25½	25½	−⅛
Total Pet x	0.40	17	179	7	d6⅝	6⅞	−⅛
TownCntry		0	51	1¾	1⅝	1⅝	
Tubos Mex		21	211	5⅝	5½	5⅝	+⅛
UtdFoodsA		3	32	1⅝	1½	1½	
UtdFoodsB	0.20	4	12	1⅝	1½	1½	
UnivPtnts		35	161	10½	9¾	10½	+⅜
US Cellul		89	7	18¾	18¾	18¾	−¼
Vivigen		55	277	15	14⅞	14⅞	
WangLab C		0	34	3⅛	3⅛	3⅛	−⅛
WangLab B		0	3198	⅝	[illegible]	[illegible]	−1/16
Weatherfd		19	4516	u6⅞	6½	6⅞	+⅜
Wesiamer	0.52	8	82	19⅛	19	19⅛	+⅛
WIRET x	1.12	17	31	13⅛	12⅞	13⅛	
Worthen	0.10	9	82	21¼	20¾	21	−⅜
Xytronix		7	256	7⅝	7	7⅝	+⅝

NASDAQ NATIONAL MARKET

4 pm close September 2

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
WmsSonoma		78	327	11¾	10⅝	11¾	+1
Wiser Oil x	0.40	525	54	15¾	15½	15¾	
Wolohan L x	0.28	15	2	22	21¾	22	
Wolv Expl		0	101	[illegible]	⅛	⅛	
WvExW93A			20	[illegible]	[illegible]	[illegible]	
Worthgtn x	0.48	22	1348	21¾	d20¾	21⅛	−⅛
WPP Group	1.11	1	3903	1 1/16	d1 1/32	1 1/16	+1/16
Wyman-Gdn	0.40	4	185	5⅛	4⅞	5	−⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		20	7373	20	17¾	18¼	−1¾
Xoma Corp		6	1702	11½	d11	11¼	+¼
Yellow Fr	0.94	22	1745	26½	25⅜	26½	+1
York Rsch		7	5973	7⅛	6⅞	7	+⅛
ZionsUtah	1.44	10	7	55¾	54	54	−¼

AMERICA

Late burst of buying gives Dow sharp boost

Wall Street

AFTER trading quietly in a narrow range for most of the day, US stock markets posted sharp gains on a burst of late buying yesterday, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 34.05 at 3,290.31, its high for the day. The Standard & Poor's 500 gained 1.92 at 417.99, while the American SE composite improved 1.29 to 382.73 and the Nasdaq composite rose 5.64 to 571.25. Turnover on the New York SE came to 188m shares.

Investors were keeping a wary eye on the dollar, which showed a mild improvement against the D-Mark in New York trading yesterday. The fact that the dollar has roughly held its own over the past few days has helped equity sentiment, but the market remains concerned that the US currency's weakness leaves little room for the Federal Reserve to cut interest rates again.

The day's only economic news was a 1.1 per cent decline in July factory orders, accounted for mostly by a fall in transportation orders. Consequently, the data had little effect on share prices, which remained trapped in a narrow trading range until late afternoon, when demand picked up.

The late rush of buying was believed to be investors anticipating gains in the market that traditionally occur in the few days before the Labor Day weekend holiday. Investors were also thought to have been encouraged by the market's ability to hold its current levels in spite of continued bad news on the economy.

General Motors shed $1/4 in early trading as industrial strife escalated at its Lordstown metal stamping plant in Ohio, causing further disruptions at numerous plants across the country. GM stopped production at two more assembly plants on Tuesday, bringing the total of idle factories to six. The stock recovered later, however, to finish just $1/8 off at $34 1/4.

CBS climbed $2 7/8 to $200 on reports that broking house Smith Barney had raised its rating on the media group to "buy" from "hold".

Rollins Environmental Services put on $7/8 to $11 7/8 in active trading as investors responded to a buy recommendation from investment bank Kidder Peabody. The stock had fallen after Hurricane Andrew hit Florida and Louisiana, causing the company to temporarily close two of its hazardous waste incineration facilities, but analysts at Kidder believe the decline creates a good buying opportunity.

On the Nasdaq market, leading stocks were all firmer, with Apple adding $2 at $48 1/2 and Amgen $1/2 at $65.

Canada

TORONTO stocks recovered from what looked like another slow summer session to turn in a strong performance for the day on the back of Wall Street's rise.

The TSE 300 index gained 29.1 at 3,436.7 and rises led falls by 344 to 223 after volume of 34.3m shares.

EUROPE

Hopes of 'Yes' to Maastricht lift Paris

CAUTIOUS optimism that the French will back Maastricht lifted late-closing bourses, *writes Our Markets Staff.*

PARIS staged a turnround to end 2.2 per cent higher, boosted by a show of unity by leading politicians in favour of the Maastricht treaty and some opinion polls predicting a majority of "Yes" votes in the referendum. The CAC-40 index finished 37.18 ahead at 1,711.41, off a low of 1,659.84, in improved turnover of FFr2bn.

Euro Disney jumped FFr5 or 6.9 per cent to FFr77 on talk that the theme park was about to announce good attendance figures and high occupancy rates at its hotels. The market responded well to the appointment of Mr Philippe Bourguignon as president reporting directly to Euro Disney's chairman, Mr Robert Fitzpatrick.

Total dropped FFr12.20, or 5.9 per cent, to FFr195.10 as analysts cut their 1992 forecasts following the oil refiner's poor interim results. James Capel lowered its 1992 net profits estimate to FFr3.8bn from FFr4.5bn. Investors wanting to keep a weighting in oils switched into the higher-yielding Elf Aquitaine, which moved forward FFr7 to FFr330.

FT-SE Eurotrack 100 - Sep 2							
Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1001.41	1001.64	1003.59	1004.57	1006.66	1010.20	1010.38	1011.19
Day's High 1011.30				Day's Low 1000.21			
Sep 1	Aug 28	Aug 27	Aug 26	Aug 25			
1007.79	1013.54	1017.14	997.98	993.01			

Base value 1000 (26/10/90)

Oversold financial stocks jumped on hopes that the Maastricht treaty would be ratified. Suez advanced FFr7.60 to FFr232 while Bancaire added FFr13.50 at FFr293.

There was unusually high volume of 48,575 shares in Pernod, the drinks company, which rose FFr11.90 to FFr406.80 on renewed takeover speculation.

MILAN weakened further on renewed foreign selling. The Comit index fell 9.65, or 2.5 per cent to 375.34, its lowest level since September 1985, in turnover estimated at L100bn after L59.8bn on Tuesday.

Dealers saw no way out of the crisis, which stemmed from a lack of confidence in the country and in the lira. Not only was there uncertainty over the outcome of the French referendum on Maastricht, but also the prospect of further austerity measures by the government.

Fiat fixed L142 lower at L3,800 while Generali shed L730 to L25,020. Mediobanca was settled at L9,530, down L570.

Italmobiliare, which was temporarily suspended due to a *trade imbalance on the sell* side, dropped L3,590 or 10.2 per cent to L31,510.

FRANKFURT dropped again in the official session, the DAX losing 12.03, or 0.8 per cent to 1,506.67. But in spite of the continuing fall in the dollar, widely blamed for the drops in exporters, there has been a technical aspect to the recent falls.

The market rose by 1.7 per cent on Monday on panic short-covering by professionals, said Mr Edgar Benischeck, equity dealing head at Bank Julius Bär in Frankfurt. The dollar then fell below DM1.40 on Tuesday, driving dealers to cover long equity positions, which carried on yesterday.

However, Mr Benischeck noted that share prices improved in the post bourse yesterday, and by the end they showed little change from Tuesday afternoon.

ZURICH, described by Kleinwort Benson's Mr Anthony Thomas as "simply .... the most defensive in Europe", paid its way with the SMI index 10.4 higher at 1,757.85.

Swissair put on SFr24 to SFr584 after Tuesday's encouraging progress report, and Surveillance rose SFr35 to SFr1,410 on the belief that Hurricane Andrew would boost its loss adjustment business.

MADRID was lifted by sharp advances in banks, where both domestic and foreign investors showed buying interest in BBV, Santander and Central Hispano. The general index rose 3.45 to 209.82, and volume was healthy at over Pta10bn compared to an average of Pta5bn during most of August.

OSLO's all-share index touched 303 in early trading before closing at 307.60, down 1.52.

Elkem plunged on speculation that it was heading for collapse, the free shares falling 25 per cent to NKr30.

STOCKHOLM extended its session by half an hour after a power cut halted trading 15 minutes before the close. The Affärsvärlden General index fell 5.2 to 746.4 in turnover of SKr458m after SKr342m.

COPENHAGEN continued to worry about its place in Europe, the KFX index losing a further 1.61, or 2.1 per cent to a new low of 73.27. East Asiatic continued to weaken on last week's swing from profit to a six-month loss, dropping DKr9.50 to DKr63.50.

AMSTERDAM ended broadly on worries about the softening of the dollar and weak corporate earnings. The CBS Tendency index fell 0.6 to 108.5.

The light machinery manufacturer, Stork, dropped Fl 5.90 to Fl 29.30 after announcing a 17 per cent decline in first-half net after the close on Tuesday.

BRUSSELS's Bel-20 Index fell 3.99 to 1,046.07, a new low since the index was introduced in March 1991.

Bombay makes tentative recovery from scandal

Government economic measures could help Indian share prices to rise further, writes R.C. Murthy

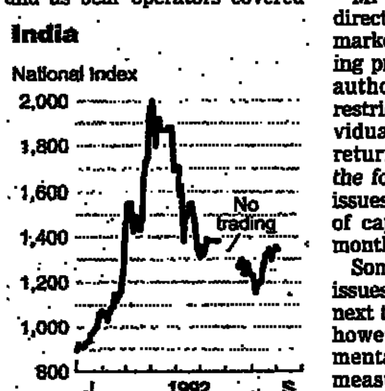
Indian bourses, enjoying their first rally for three months, are awaiting measures from the P.V. Narasimha Rao administration which, they hope, will stimulate the economy and boost equity values that have languished since a securities scandal broke early in May.

New Delhi plans to make the rupee fully convertible, lower interest rates if prices continue to drop, relax controls on the pharmaceutical industry, and announce contracts with international oil companies for oil exploration and production.

Most of these decisions are expected to be in place before Dr Manmohan Singh, the finance minister, reviews India's programmes with the International Monetary Fund in Washington in three weeks' time.

The 30-share index of the Bombay Stock Exchange (BSE), India's largest with two-thirds of national trading, is looking back at a slump which took it as low as 2,529 in early August, down 1,938 points, or 43 per cent, from a peak of 4,467 in mid-April, prompted by the seizure of assets of Mr Harshad Mehta and other brokers implicated in the Rs35bn ($1.25bn) securities scandal.

After hitting a six-month low on August 6, share prices have rebounded since then, partly in response to government decontrol of chemical fertiliser prices and as bear operators covered their positions. Gujarat State Fertilisers have gained Rs60 to Rs340 and Zuari Agro Chem are Rs90 better at Rs390.



Turnover, which had contracted from Rs3bn a day seen in April to less than Rs400m four months later, recovered to Rs1.72bn by last weekend as institutions and mutual funds bought at lower levels.

The market appears to have found its level, for now. Share values moved in a narrow range last week and the 30-share index, at 3,031 last Friday, was around the same level as a week earlier. Yesterday the index closed at 3,040.57, down 29.92.

Mr M.R. Mayya, executive director of the BSE, says the market is healthier now. Selling pressure has eased and the authorities have removed all restrictions on sales. But individual investors have yet to return in force, deterred by the forthcoming rush of rights issues, following the scrapping of capital issues control last month.

Some Rs50bn worth of rights issues are scheduled over the next two months. Analysts say, however, that strong fundamentals and the government measures should lift share prices further over the next three weeks. Furthermore, the monsoon rains have been evenly spread throughout the country, improving crop prospects.

The question is whether police and income tax authority raids on brokers and finance companies associated with the securities scandal will hamper the market's recovery. A parliamentary committee was set up two weeks ago to inquire into the scandal and the police and income tax authorities may have to co-ordinate with it in the future.

ASIA PACIFIC

Nikkei falls again as profit-taking continues

Tokyo

SHARE prices lost further ground yesterday as profit-taking continued after the market's two-week rally, *agencies report from Tokyo.*

The Nikkei average closed 152.34 easier at 17,587.72, after profit-taking on one hand and buying by dealers and individuals on the other limited the day's high and low to 17,688.38 and 17,477.92 respectively.

Volume was estimated at 420m shares, down from 550.8m. Declines led advances by 824 to 199, with 92 issues unchanged, and the Topix index of all first section stocks slipped 21.22 to 1,349.05. In London the ISE/Nikkei 50 index shed 4.25 to 1,072.31.

Japanese institutional investors stayed on the sidelines. Although Mr Tsutomu Hata, the finance minister, said late on Tuesday that the economy should begin to recover before winter, many fund managers doubt that corporate earnings will pick up until next year.

Furthermore, continued pressure on institutions from the Finance Ministry to refrain from heavy selling of equities was not inspiring confidence in the market.

Trading remained dominated by incentive-backed shares, with dealers and individuals buying Aids-related issues and Isuzu Motors, the latter following a report that the auto maker had succeeded in developing a highly efficient ceramic engine.

Isuzu climbed Y80, or 28 per cent, to Y370. Other motor manufacturers were mostly lower amid signs that Japanese auto sales continued to decline sharply from year-ago levels.

Nichiboshin, a non-bank financial institution which lends to smaller companies, was another bright spot following reports that Sanwa Bank was likely to lower the interest charges on its outstanding loans to the financially strapped company. Nichiboshin rose Y80, or 23 per cent, to Y423.

Aids-related shares attracted heavy interest. Meiji Milk advanced Y20 to Y1,130 on 21.87m shares traded, 5.2 per cent of the day's total volume.

Roundup

THE Pacific Basin region was mostly lower yesterday.

HONG KONG was an exception, the Hang Seng index finishing 22.88 higher at 5,734.45. Retail investors maintained some momentum in the afternoon in the absence of European buying. Volume totalled HK$2.65bn, near Tuesday's level.

Interest continued to focus on blue chips, with HSBC Holdings leading the actives list. It closed 50 cents off at HK$56, after touching HK$57.

AUSTRALIA weakened on concern about earnings and on steady offshore selling. The All Ordinaries index ended 13.5 down at 1,528.5 in turnover of A$210.1m.

Diversified miner CRA tumbled 40 cents to A$12.24 after posting a 6.8 per cent fall in net profits. Transport group TNT dipped 3 cents to A$1.24 after its A$195.4m loss.

NEW ZEALAND was dragged down by selling pressure on the leaders, particularly Brierley Investments. The NZSE-40 index fell 13.58 to 1,470.30 in volume of just NZ$14.3m. Brierley hit its low for the year, 84 cents, before ending 3 cents off at 85 cents. Carter Holt lost 6 cents to NZ$2.58 on indications that a strike at its four forest products mills will drag on.

SINGAPORE declined in sluggish trading, the Straits Times Industrial index shedding 10.32 to 1,365.14 in volume of 24.3m shares, against 28.1m.

Property issues lost some ground as investors reacted to reports that the government had raised development charges for residential plots by between 8 and 40 per cent. City Development fell 14 cents to S$3.40 and Hotel Properties 2 cents to S$1.68.

KUALA LUMPUR closed softer after initial steadiness failed to prompt follow-through buying. The composite index was off 0.58 at 572.92.

SEOUL finished higher as a late-afternoon buying spree in large-capitalisation shares outweighed earlier profit-taking. The index, off 7.82 in the early afternoon, ended 4.14 ahead at 562.74 in turnover of Won462.5bn (Won639.6bn).

BANGKOK was lifted by Thai Airways, one of the biggest stocks on the market, which rose by its 10 per cent limit, Bt5, to Bt58. The SET index put on 8.89 to 762.42 in turnover of Bt8.89bn.

TAIWAN was pulled lower by late profit-taking, the weighted index closing 26.84 down at 3,933.61. Turnover was moderate at T$24.35bn, against T$25.56bn.

MANILA rebounded on thoughts that the peso's climb was slowing. The composite index gained 25.43 at 1,392.34 in combined turnover of 181.84m pesos, after 163.36m. PLDT rose 35 pesos to 940.

SOUTH AFRICA

EXPECTATIONS that the finance minister will announce an economic package helped to underpin shares. The overall index rose 6 to 3,165 and industrials added 4 to 4,078. Gold fell 14 to 940.

NZSE market value rises 66%

THE MARKET capitalisation of companies listed on the New Zealand Stock Exchange jumped 66 per cent to NZ$28.89bn ($16.1bn) in the year to June 30, the highest level since the 1987 stock market crash, *writes Terry Hall in Wellington.*

In his annual report, Mr David Wale, the stock exchange chairman, said the rise was fuelled by price movements, new listings and capital raisings worth NZ$4.88bn, compared with NZ$1.75bn in 1990-91.

Mr Wale added that declining interest rates, a lower New Zealand dollar and an improved domestic environment renewed interest in equities, especially in smaller companies. Larger groups, however, had been affected by their international involvements.

Listings fell by 10 per cent to 140 – compared with 280 in 1987 – and the listed overseas companies dropped by 22 per cent to 58.

Two more companies were delisted yesterday: Bridgecorp, a former mining company that unsuccessfully tried to run a chain of toy shops, and General Properties, placed in receivership last month after being run by a group of banks to whom it owes NZ$11m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 2 1992								TUESDAY SEPTEMBER 1 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	128.82	−0.7	95.30	100.04	93.13	119.22	−0.9	4.52	129.72	96.30	100.77	93.98	120.36	153.68	126.79	149.29
Austria (19)	153.01	+0.4	113.20	118.82	110.62	110.44	−0.2	2.64	152.35	113.10	118.36	110.37	110.70	186.70	139.27	180.01
Belgium (42)	142.60	−0.3	105.50	110.73	103.09	100.93	−0.5	6.08	143.10	106.24	111.16	103.67	101.46	152.27	135.87	130.43
Canada (114)	127.22	+0.7	94.12	98.79	91.96	110.32	+1.0	3.15	126.30	93.76	98.11	91.49	109.19	142.12	124.32	138.75
Denmark (35)	213.59	−3.8	158.01	165.86	154.40	156.50	−4.1	1.81	222.12	164.90	172.58	160.92	163.21	273.94	213.59	252.30
Finland (15)	61.19	−0.5	45.27	47.52	44.24	49.17	−1.1	2.87	61.47	45.64	47.76	44.54	49.71	89.80	59.93	94.62
France (102)	161.07	+1.9	119.16	125.07	116.43	119.76	+1.7	3.75	158.02	117.32	122.75	114.47	117.74	168.75	148.06	137.42
Germany (64)	118.26	−1.0	87.49	91.84	85.49	85.49	−1.2	2.88	119.46	88.69	92.82	86.54	86.54	129.89	114.42	108.74
Hong Kong (53)	235.60	+0.6	174.30	182.95	170.33	233.75	+0.5	3.60	234.30	173.94	182.02	169.75	232.48	259.55	176.36	166.64
Ireland (16)	159.96	+0.0	118.34	124.22	115.63	118.81	−0.2	4.44	159.94	118.74	124.25	115.87	119.02	173.71	151.78	157.00
Italy (78)	61.22	−2.6	45.29	47.53	44.25	48 61	−2.7	4.27	62.84	46.66	48.82	45.53	49.98	80.86	61.22	72.57
Japan (473)	109.73	−1.5	81.18	85.21	79.34	85.21	−1.6	1.00	111.42	82.72	86.56	80.73	86.56	140.95	87.27	126.73
Malaysia (69)	233.80	−0.3	172.97	181.55	169.02	224.17	−0.4	2.82	234.54	174.13	182.20	169.91	225.06	250.47	212.49	209.37
Mexico (18)	1297.91	−0.3	960.22	1007.90	938.28	4357.25	−0.5	1.38	1302.36	966.86	1011.76	943.53	4377.88	1789.77	1259.94	1226.13
Netherland (25)	166.83	+0.0	123.42	129.55	120.61	119.32	−0.2	4.70	166.77	123.81	129.56	120.82	119.58	167.29	147.88	139.27
New Zealand (14)	42.29	−1.0	31.29	32.84	30.58	41.57	−1.0	5.46	42.72	31.72	33.19	30.95	41.98	48.52	41.90	46.94
Norway (23)	144.89	−0.4	107.19	112.52	104.75	108.31	−0.6	2.33	145.41	107.96	112.97	105.35	109.00	192.95	136.40	199.26
Singapore (38)	191.47	−1.1	141.65	148.69	138.42	140.56	−1.2	2.36	193.52	143.67	150.34	140.20	142.28	229.63	180.71	198.20
South Africa (61)	193.23	+1.6	142.95	150.05	139.68	156.46	−0.1	3.24	190.13	141.16	147.70	137.74	156.67	263.60	186.01	240.05
Spain (49)	141.76	+1.9	104.87	110.09	102.48	97.08	+1.8	6.05	139.06	103.24	108.04	100.75	95.40	161.72	133.79	151.88
Sweden (30)	178.25	−1.1	131.87	138.42	128.86	134.18	−1.4	3.06	180.21	133.79	140.00	130.56	136.13	200.28	171.48	187.93
Switzerland (62)	115.84	+0.6	85.70	89.96	83.76	89.02	+0.6	2.41	115.14	85.48	89.46	83.43	88.48	115.84	95.99	92.57
United Kingdom (228)	182.86	+0.9	135.28	141.99	132.18	135.28	+0.6	5.43	181.22	134.54	140.77	131.27	134.54	200.07	165.85	180.92
USA (522)	170.20	+0.4	125.92	132.18	123.05	170 20	+0.4	2.98	165.44	125.60	131.64	122.76	169.44	173.10	160.92	158.33
Europe (788)	147.60	+0.4	109.20	114.62	106.71	108.51	+0.1	4.39	147.00	109.13	114.20	106.50	108.34	156.88	139.31	140.64
Nordic (103)	161.29	−1.9	119.32	125.25	116.60	115.79	−2.2	2.60	164.46	122.10	127.76	119.15	118.45	188.52	159.53	185.02
Pacific Basin (715)	114.11	−1.4	84.42	88.61	82.49	90 35	−1.4	1.35	115.67	85.88	89.86	83.80	91.63	141.97	93.70	126.39
Euro – Pacific (1503)	127.66	−0.5	94.44	99.13	92.28	97.75	−0.7	2.77	128.35	95.29	99.70	92.98	98.42	145.21	113.80	133.57
North America (636)	167.51	+0.5	123.93	130.09	121.12	166.12	+0.5	2.99	166.74	123.79	129.55	120.82	165.34	170.31	158.70	157.05
Europe Ex. UK (560)	126.20	+0.1	93.36	98.02	91.25	93.11	−0.1	3.64	126.13	93.64	98.01	91.40	93.24	132.98	121.81	118.93
Pacific Ex. Japan (242)	157 06	−0.2	116.20	121.99	113.55	141.77	−0.3	3.80	157.36	116.83	122.27	114.02	142.20	175.31	149.00	144.92
World Ex. US (1696)	129.03	−0.5	95.46	100.21	93.28	99 85	−0.6	2.78	129.62	96.23	100.71	93.91	100.47	146.91	116.18	135.53
World Ex. UK (1990)	138.07	−0.2	102.14	107.22	99.82	120.04	−0.3	2.54	138.37	102.72	107.50	100.25	120.37	150.56	127.21	138.53
World Ex So. Af. (2157)	141.67	−0.1	104.81	110.02	102.42	121.06	−0.2	2.88	141.82	105.29	110.19	102.76	121.29	153.05	130.04	141.57
World Ex. Japan (1745)	160.30	+0.4	118.60	124.50	115.91	142.21	+0.3	3.52	159.63	118.51	124.03	115.67	141.77	165.40	153.20	151.76
The World Index (2218)	141.94	−0.1	105.01	110.23	102.62	121.40	−0.2	2.86	142.08	105.48	110.38	102.94	121.63	153.70	130.66	142.21

Constituent changes with effect 3/9/92: Deletions: Hafnia A and B (Denmark).

DISTRIBUTION SERVICES

Distribution services are becoming more sophisticated as the demand intensifies for increased reliability and maximum cost savings. Phillip Hastings looks at an industry facing the challenge of new safety legislation and greater use of information technology

Efficiency and quality rule

THE RECESSION and increased competitive pressures are combining with much greater use of sophisticated information technology systems to make industry's distribution operations more efficient and cost-effective.

In Europe the trend is being re-inforced by the rapid approach of the European Community Single Market. A number of companies have already moved to set up pan-European distribution networks – admittedly not always with the success that had been hoped for – and others are considering similar moves. At the same time, the international and domestic UK distribution sectors are both focusing on quality, with more and more service operators seeking to achieve recognised standards such as BS 5750 or ISO 9002.

The continuing drive for greater efficiency is highlighted in a survey by the UK Institute of Logistics & Distribution Management of more than 480 companies across a broad spectrum of UK industry and commerce. This showed that distribution costs as a percentage of companies' overall turnover fell from just under 5.2 per cent in 1990/91 to 4.7 per cent in 1991/92. That compares with 8.5 per cent in the mid-1980s and 17 per cent at the start of that decade.

However, there is still a considerable difference between the impact on small companies and on large organisations of distribution costs. In the industrial manufacturing sector, small companies with an annual UK turnover of less than £50m report that on average, distribution costs amount to nearly 16 per cent of turnover.

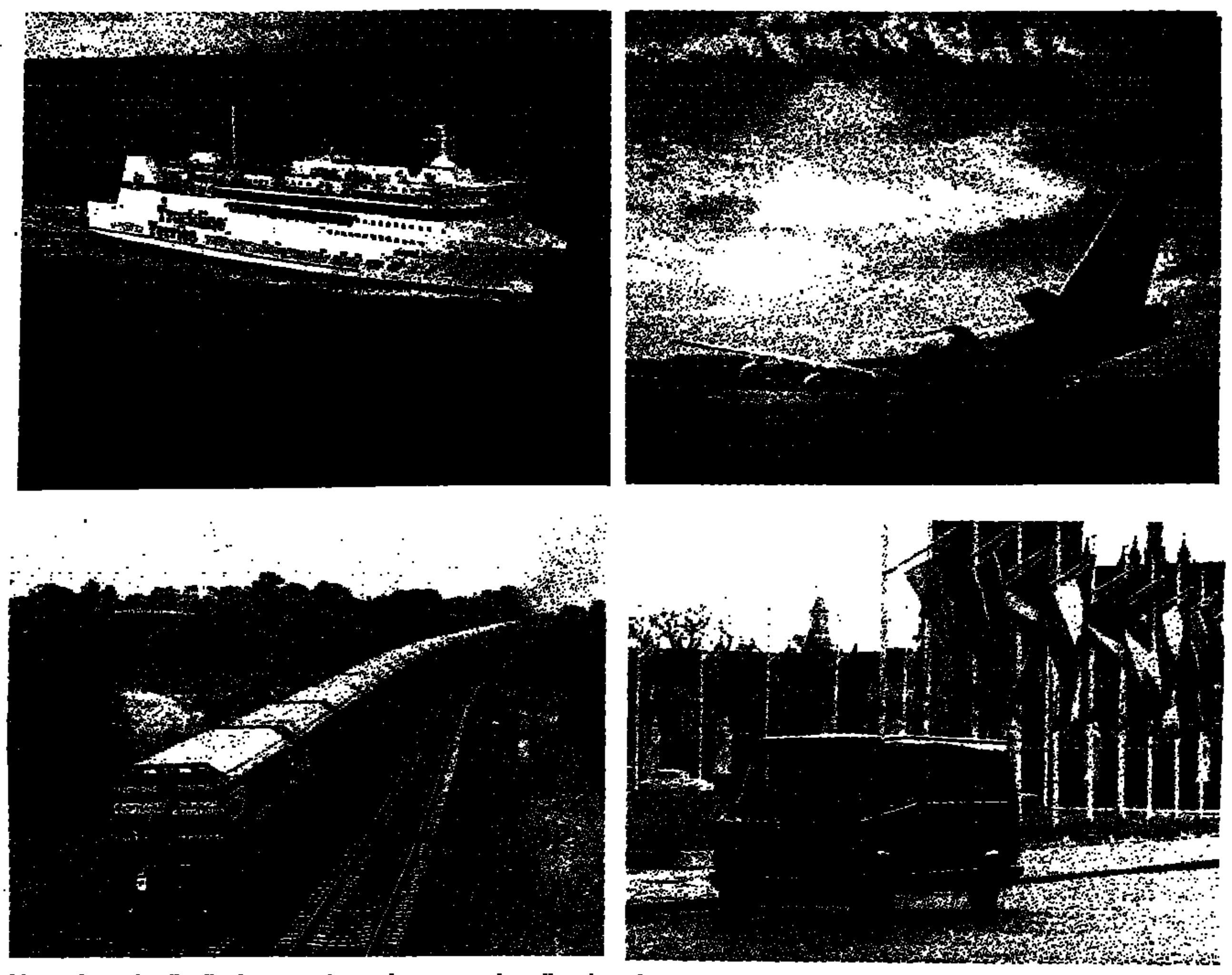
For medium-size companies with a turnover of £50m to £300m the figure is a little more than 5 per cent and for large companies, just under 4 per cent.

"These results are consistent with previous surveys and indicate significant economies of scale for many larger operators," adds the ILDM.

However, the continuing overall improvement in distribution service efficiency has not been enough to quell discontent among some distribution service users.

There is particular dissatisfaction over the efficiency of distribution operations run by third party contractors, particularly in the retail sector. Other reports have found that companies with in-house distribution services are also experiencing problems in achieving desired efficiency levels.

Companies using third party contractors cite lack of understanding of their business by service providers, poor standards of management and excessive teething problems in the early stages of a contract as their main difficulties.



Lines of supply: distribution operators rely on sea, air, rail and road to move goods throughout Europe

Organisations running in-house distribution activities mention inefficiency in the use of vehicles and facilities as weak links. Running their own distribution operations uses financial and human resources which could be better employed in other areas.

Partly in an attempt to resolve these problems, there has been a move towards achieving recognised quality standards.

While distribution companies admit that gaining BS 5750 or similar accreditation does not ensure customer needs will be fully met, they argue that a standard is likely in future to be seen as a starting point, a basic criterion which will have to be met.

Distribution service providers which do not meet that criterion, consultants suggest, will find it increasingly difficult to receive invitations to tender for new business.

Environmental issues such as traffic congestion and pollution are also becoming significant factors in distribution service activities. London's "Red Routes" scheme, for example, bans parking on certain roads to try to ensure a free flow of vehicles.

Other restrictions on the movement of traffic are also complicating distribution activities.

The UK's Freight Transport Association highlights recent proposals to put a total ban on lorries in the Slade Green area of Bexley, Kent, at night and at weekends.

The ban would prevent lorries collecting or delivering goods, with no movements to or from premises, between 9pm and 6am, Monday to Friday, and from 1pm Saturday to 6am Monday.

The FTA claims that companies situated on some busy industrial estates in the area could face complete closure or relocation if the ban is introduced.

Other environmental issues affecting the distribution industry include a continuing controversy over maximum truck weights in the UK. Meanwhile, efforts to improve the fuel efficiency of commercial vehicles and to cut emissions continue.

There is also an increasing emphasis on safety and this is particularly evident in the specialised field of temperature-controlled distribution. Continued tightening of legislation on food safety has forced operators to invest in more staff training and new equipment.

Overshadowing domestic UK issues, though, is the coming of the EC Single Market and its likely impact on distribution activities. At present, few distribution service providers offer full pan-European coverage, and the past two or three years have seen more and more companies forced to rethink their expansion plans or even pull out. The most significant instance of this was the withdrawal of giant US parcels company Federal Express from European regional and domestic delivery because of continuing heavy losses.

A number of UK distribution companies have also run into problems with their expansion on the Continent and even the more successful ones such as Exel Logistics, Transport Development Group and McGregor Cory have tended to move fairly cautiously.

There are definite signs, however, of renewed interest in the development of European services. In June, for instance, the UK-based Hays group announced it had bought French distribution company Groupe FRIL for £37.5m. According to Mr Ronnie Frost, Hays' chairman and chief executive, the group has for several years been searching for a significant company to expand its presence in Europe.

More recently, Mayne Nickless group UK domestic parcels carrier Parceline announced it was moving into Continental Europe using a networking operation and an international forwarding company.

"We are not about to put at risk the improving profitability of Parceline by taking on heavy costs from day one. We are getting into Europe with minimum investment and risk, with variable costs rather than fixed costs," Mr Colin Millbanks, Parceline chief executive says.

Another stimulus for UK distribution industry interest in Continental European business is the construction of the Channel Tunnel and its associated freight links. Together with European Commission efforts to speed up the development of railfreight and combined road/rail transport services, the Tunnel is pushing rail transport much more firmly into the general distribution industry spotlight.

Still to be answered, though, is the question of whether railfreight and combined rail/road transport will be viable for a wide range of goods in addition to the former's traditional bulk traffics. Crucial factors will include the development of efficient transhipment operations and good consignment control capabilities.

In fact, good information technology systems, increasingly including EDI (Electronic Data Interchange), are already playing a critical role in general distribution service development.

And research carried out by consultants Touche Ross for the ILDM shows that improvement of such systems is now the number one target for future development among distribution industry executives.

IN THIS SURVEY

Editorial production: Roy Terry

Action to save EC's combined transport plans from stagnating

On track to speed up network

EUROPEAN transport ministers will next month be urged to agree urgent financial backing for a proposed new Ecu2bn ($2.7bn) strategy to save the Community's combined transport plans from stagnating.

The proposals will for the first time also seek to include intra-Community maritime container movements for special treatment under combined transport regulations.

The 10-year support plan for dedicated track, terminals, rolling stock and unit load devices is being put forward at a time when combined transport activity is slowing down and road congestion escalating.

But in spite of the urgency of the situation, some countries, notably the UK, are doing little to encourage the development of combined transport systems.

Combined transport traffic growth in Europe in 1991 has slipped from 20 per cent annually to 5 per cent. A T Kearney, the management consultants whose report for the European Commission in 1987 predicted combined transport traffic would triple by 2005, has now extended the time scale by five years.

Rudy Colle, director-general of the International Union of Combined Road-Rail Transport Companies (UIRR), explained that the decline in 1991 volumes resulted from a drop in national traffic caused by increased competition from road hauliers.

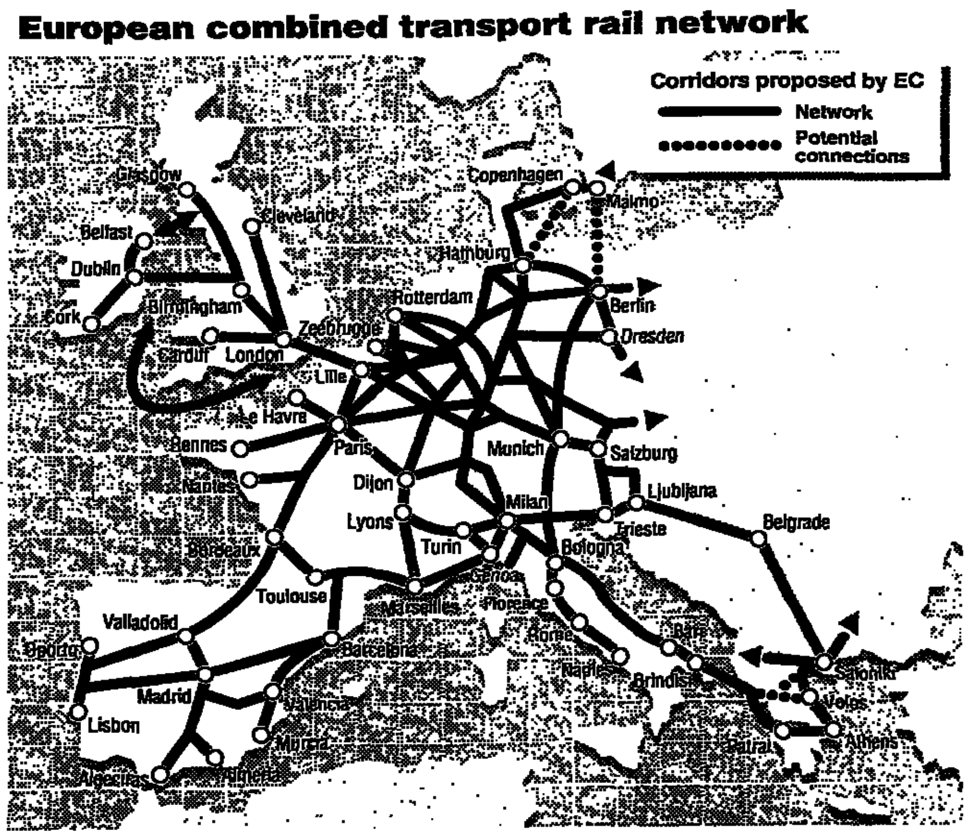
The UIRR's 12 member companies were set up by the railways *with hauliers* as shareholders so as to dispel hauliers' fears over the railways' conflicts of interest.

But many other hauliers and distribution contractors are not committing themselves fully to the system. They fear the railway companies cannot provide a reliable service.

Transport Commissioner Karel van Miert will tell the Transport Council ministers that the economic and social gains of the Commission's plan far outweigh the costs.

Commission officials calculate that a Community-wide

European combined transport rail network



combined transport rail network will cost Ecu1.4bn over 10 years. Terminals and equipment will cost Ecu600m.

It is hoped that up to two-thirds of the cost will be funded by the operators and the remainder by national governments and the Commission.

*Ministers will be told com*bined transport operators cannot themselves finance the investment required for the rail and terminal network. The margins that they are forced to operate on to remain competitive with hauliers are too slender to afford the heavy investment.

This is due to deep price-cutting in the liberalised road transport market and the difference in hidden costs between road and rail, where road hauliers get their infrastructure free and escape the costs of the environmental damage they cause.

Mr Van Miert will argue that for combined transport to be effective, it is essential to develop a community-wide network and not rely, as at present, on isolated lines.

The plan will concentrate on the most productive lines first. *These are in Germany, Italy* and France.

Eventually the network will stretch from Scotland and Ireland, to the Iberian Peninsula and across to Greece and the borders of eastern Europe.

To encourage new private operators, the ministers will be asked to agree to pilot projects aimed at establishing ground rules on how small road hauliers get access to terminals and the conditions for market entry. The projects will involve inland waterway and short-sea container operations.

The Competition Directorate, DG IV, will also be involved because of a possible need to draft a derogation from competition rules. The special nature of combined transport entails operators of different modes to enter agreements with each other that could be interpreted as being against the Treaty of *Rome's competition rules.*

But there is still widespread scepticism over the railway's commercial role in combined transport.

A new intermodal company, Allied-Continental Intermodal (ACI) is being launched in the UK today by Intercontainer, the European Railways' intermodal company, SNCF and Railfreight Distribution (RfD) to compete directly with the newly-formed UIRR associate, Combined Transport Ltd (CTL). This is causing concern in the UK industry.

ACI is owned by the railways whereas CTL is 36 per cent owned by private hauliers and forwarders. But a spokesman at RfD insisted that CTL has nothing to fear and will receive service quality equal to that given to the new company.

To encourage combined transport the Commission has agreed derogations which allow governments to give discounts on vehicle excise duties and permit gross lorry weights of 44 tonnes for vehicles in combined transport.

The Belgian, German, French and Italian governments allow one or both of the derogations. The UK government allows neither, preferring to stick with its 38-tonne gross lorry weight limit until 1999. The 32.52 tonnes restriction on drawbar sets will be raised to 35 tonnes next year.

Because this makes British operations less competitive than those on the European mainland, UK firms are reluctant to invest in combined transport equipment. The UK has fewer than 2,000 swap bodies, the most popular intermodal system, compared to more than 100,000 on the mainland.

The Rail Users Group, the Freight Transport Association and the Road Haulage Association continue to urge the government to adopt a more helpful attitude.

UK-based Grand Transport Systems, a leading European supplier of intermodal equipment for combined transport, makes little effort to market its *products in the UK because of* delays and uncertainty over the provision of combined transport infrastructures on the British side of the Tunnel.

RfD managing director Ian Brown says he now has government approval to spend £50m to increase the clearance height to European loading gauge standards of tunnels and *bridges on the Channel Tunnel* routes. It will allow his new fleet of medium deck height wagons to carry 9ft high containers.

Michael Terry

UK retailers are rethinking their policies, writes **Phillip Hastings**

Mixed pattern of change

RECESSION, tougher competition and greater availability of information technology systems are encouraging UK retailers to rethink their distribution policies. But the pattern of actual change is mixed.

Some retailers are veering away from contracting out more distribution activities to third party specialists and bringing parts of those operations back in-house. Helping to encourage that change is the continuing development of information technology (IT) systems which can give retailers tight control over areas of distribution activity where they also now have plenty of practical experience.

Other retailers, though, are heading in the opposite direction and seeking to establish even closer and wider-ranging partnerships with their distribution service providers.

That mixed picture is confirmed by the Research Services Department of the Institute of Grocery Distribution in a study which focused specifically on the involvement of third party specialists in the centralised distribution operations of leading multiple stores.

According to IGD research carried out during 1991, third party penetration of that sector ranged from 35-45 per cent for ASDA, J Sainsbury and Tesco and 60-65 per cent for CRS, Gateway and Safeway, to 85-95 per cent for Iceland, Kwik Save and CWS, and 100 per cent for Wm Low and Grandways.

Mr John Galloway, logistics director for ASDA Stores, told the recent UK Institute of Logistics & Distribution Management (ILDM) annual conference why his organisation had opted to use a mix of contractors and self-managed distribution operations to service its 206 superstores.

"It allows us to understand the difference between logistics professionals whose aim is to generate a profit and people like ourselves to whom logistics is a cost centre within the overall business," he said.

During the 1980s there was in fact a pronounced general move among retailers towards contracting out more of their distribution operations, a trend confirmed in the 1991/92 Survey of Distribution Costs just published by the ILDM.

In the consumer goods (CG) retail sector, for example, the ILDM survey found that around 70 per cent of transport expenditure went on third party dedicated or shared user services and 30 per cent on in-house operations.

For the food, drink and tobacco (F D & T) retail sector, the figures were around 48 per cent and 52 per cent respectively.

But the picture is changing again, says the ILDM. "Interestingly, when compared to last year, transport has shifted away from third party, both shared and dedicated, to own account operations," comments the ILDM.

The same survey also found that own-account operations continue to dominate the storage side of distribution activities.

There, 85-90 per cent of expenditure by the CG and F D & T retail sectors went on in-house operations.

A report published this year by management consultants Price Waterhouse confirms those trends. According to a survey of "Competitive Trends in Retail Logistics", undertaken with the help of the Cambridge Centre for Competitive Logistics Research, "while *sub-contracted transport* services were generally perceived to be adequate to meet competitive requirements over the next two years, 80 per cent of retailers felt that third party warehouse and stock management performance was inadequate."

Other industry surveys and consultants' reports have suggested that there is, or at least has been, considerable dissatisfaction among some retailers over the efficiency of distribution operations run by third party contractors.

But a study of retailers and manufacturers carried out on behalf of third party contractor Applied Distribution Limited (ADL) claimed such dissatisfaction has been just as apparent among companies running their own distribution set-ups.

"The main problem for own-account operators was inefficiency, most frequently in vehicle utilisation but also in picking and loading rates," commented ADL. "Those using third parties identified two major areas of concern. These were a lack of "professionalism" and understanding of the client's business, and severe teething problems with newly-established contracts."

Adding to the dissatisfaction of some companies using third party operators, suggests Mr John Kelly, chairman of logistics industry consultants Davies & Robson, have been the terms of their contracts. "For example, companies found their contractors expecting inflation-linked cost increases at a time when their own turnover is declining," he said.

Not surprisingly, third party distribution companies generally play down suggestions of any large-scale reversion to in-house distribution operations.

They blame much of that "speculation" on a delayed reaction to events in the 1980s when some distribution companies took on contracts for which they did not have the right management and ran into problems.

Mr John Harvey, chairman of contract distribution group Tibbett & Britten, says he believes there will a continuing rundown of in-house distribution operations. And he *claims retail distribution is likely* in future to be increasingly concentrated in the hands of a few large specialist contractors.

"When distribution contracts come up now, we usually only see a very selective list of companies invited even to tender," he says. Other trends becoming apparent in the retail sector include new types of contract *distribution* arrangements.

There are signs in the furniture sector, for instance, of more tripartite agreements. A recent example of that involves a contract won by home delivery specialist Federal Express Systemcare to deliver all orders for Stag Meredew products placed through the Allders Department Stores group.

Retailer demand for fast supply of products, often at short notice, is also leading to an increased role in that market for parcels service companies offering overnight delivery. The sort of operation involved is typified by the service parcels carrier Parceline provides for Entertainment UK, a Kingfisher group company which supplies CDs, cassettes, videos and computer games to Woolworths and other major retail groups.

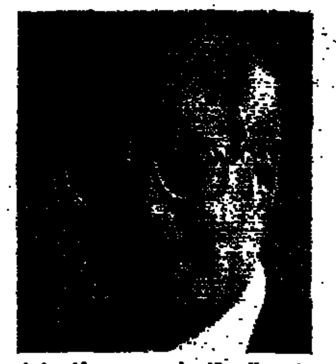
Flexibility is all important, explains Mr Glyn Angel, Entertainment UK supplier logistics manager. "When the demand for a new record release is *exceptionally high, it is critical* that shops are replenished very quickly. Parceline is able to provide us with extra trailers at short notice to collect and distribute overnight," he says.

Predictably, another development set to strongly influence future patterns of UK retail industry distribution activity is the imminent advent of the European Community Single Market.

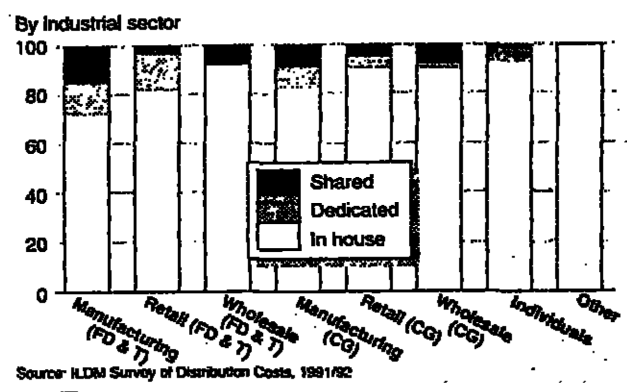
That development is, for example, likely to increase cross- border distribution activities. And the need to develop pan- European networks could open up new opportunities for third party specialists.

"Controlling the supply chain will become a much larger task and if retailers wish to retain the economies of scale they have gained in the UK, it is likely we will see an increase in demand for the services of logistics specialists with European or global reach," claims Mr Martyn Pellew, divisional sales and marketing director for Exel Logistics.

Tibbett & Britten vehicle in the Lowfield Distribution livery

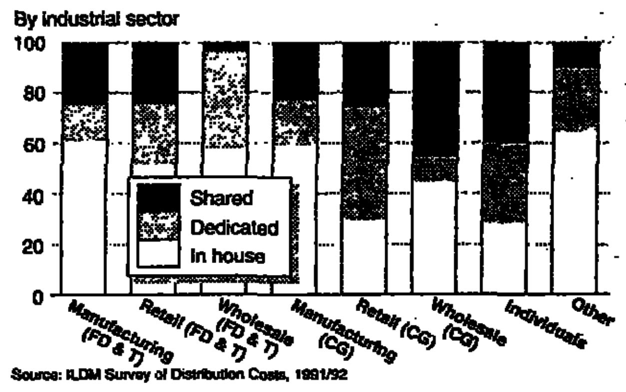

John Harvey: selective list of companies invited to tender

Warehousing expenditure



Source: ILDM Survey of Distribution Costs, 1991/92

Transport expenditure



Source: ILDM Survey of Distribution Costs, 1991/92

DISTRIBUTION SERVICES 3

AIRFREIGHT

Flying in the face of competition

EARLIER suggestions that traditional international airfreight services would be overwhelmed by competition from new-style integrators offering express movement of goods worldwide now appear wide of the mark.

Certainly, the long-established providers of airfreight services - airlines and freight forwarders - have over the past decade lost much of their intra-European distribution business to specialist express delivery operators using their own air and truck networks.

On the broader global scene, though, the airlines and forwarders remain a significant force. Their well-established connections and varied capacity/routing options often enable them to offer their customers, the shippers, a wider and often more flexible range of distribution possibilities than their integrator competitors.

Emphasising that point, Mr Klaus-Michael Kuehne, chairman and chief executive of large Swiss-based forwarder Kuehne & Nagel AG, claims many international customers need "more flexibility in their day-to-day business than that offered by a highly sophisticated but rather inflexible air network (of an integrator)".


Peter White: Speedbird covers more than 70 routes

The global airfreight market can in fact now probably be broken down into three broad sectors – traditional air cargo, special commodities and express.

The last-named, express, is now dominated by integrators such as FedEx, TNT, United Parcel Service and DHL. International airline efforts to develop their own door-to-door express services, either alone or in conjunction with freight forwarders, have largely proved unsuccessful.

Latest example of that involves Skyracer, an airline-owned door-to-door delivery company, which was recently shut down by principal shareholder Swissair, the Swiss airline, because of "disappointing revenues and limited prospects for growth".

Even that failure, though, has not deterred all airlines from trying to establish new air express operations. Next development in that context is likely to come from German airline Lufthansa which is planning to launch its own overnight freighter network in Europe next year using two full freighters and seven "quick-change" B737 aircraft which can carry passengers during the day and cargo at night.

But the main roles for most airlines as far as the international air express market is concerned now appear to lie in acting as carriers for the integrators or as wholesalers. British Airways Cargo, for example, has over the past few years developed a strong on-board courier network under the name Speedbird Courier.

Currently, says Mr Peter White, managing director BA Cargo, Speedbird covers more than 70 international routes to and from the UK, with up to 124 couriers flying each day.

"A timetable is published detailing all the flights on which a Speedbird Courier travels. Space is sold to both retail and wholesale courier companies. Support is received from both small and large retailers, including the big four (TNT, FedEx, UPS and DHL), and over time, retailers have discontinued their own couriers on routes operated by Speedbird Courier," he says.

Other airlines have decided to tackle the express market with an "If you cannot beat them, join them" approach. Most obvious example of that involves Lufthansa and Japan Air Lines which have over the past couple of years each built up a 25 per cent stake in air express company DHL.

Mr Rainer Butz, vice-president cargo Europe for Lufthansa, admits the German airline's decision to buy into DHL followed the failure of earlier efforts by the carrier to break into the express market through joint ventures and co-operation with various major freight forwarders.

He stresses, though, that the involvement with DHL is an alliance aimed at promoting co-operation rather than a merger or classic takeover. "The co-operation currently covers over 100 synergy projects. The most impressive to date has been the development of a same-day service in Germany where Lufthansa and DHL can combine their resources optimally," he adds.

Other examples of co-operation between potential rivals include instances where integrators are offering freight capacity to forwarders. Most obvious example of that involves US-based integrator Federal Express which in addition to developing its own international air express services is also seeking to forge alliances with forwarders to create jointly-branded express and express cargo services.

The second major sector of international airfreight services involves special commodities such as perishable products, live animals, project/outsized cargoes and hazardous goods. That business looks set to remain largely in the hands of its traditional carriers, the airlines and forwarders, which have the experience and facilities necessary to handle them properly.

The main future battleground between airlines/forwarders and the integrators is likely to involve the third sector of the airfreight market - traditional air cargo. That encompasses the transportation of normal industrial and commercial shipments moving in parcel, container or pallet form.

The integrators are already making substantial inroads into that market, forcing the airline and forwarders to look hard at ways of improving their services, Mr Butz of Lufthansa picks out some of the key issues in that context.

"It will be increasingly necessary to improve product quality and to quantify this quality. Airfreight must not be allowed to become merely a commodity. It must maintain a clear, unmistakable performance profile. Product enhancement through improved information systems will be an integral part of this process," he says.

"Just as important as the improvement in cost quality will be constant effort in the area of cost improvement. Cost-cutting will have to be intensified. But the shipping community should not, however, anticipate services in 2000 at 1970s' prices."

Many airfreight shippers claim they would be prepared to pay more for better quality airfreight services from scheduled airlines. But, they argue, they are often being asked to pay premium rates for less than premium services.

That point is made strongly by the chairman of the British Shippers' Council air transport committee, John Boyce. By monitoring airlines" performance, he says, shippers have been able to establish that some of the better airlines are aiming to get 90 per cent of cargo flown as booked. "So they are expecting us to pay the going rate for a service which will certainly fail 10 per cent of the time and probably more," he claims.

Mr Boyce argues that in addition to better value for money, shippers also want airlines to offer a wide choice of airfreight services.

In that context, he suggests carriers should consider introducing different product classes for cargo along the lines of those used for passenger services. For example, a "first class" service might offer a 100 per cent flown-as-booked guarantee, while "business class" cargo might be given greater priority than "economy" freight.

Phillip Hastings

Information technology moves up the table of priorities

Number one on the 'wish list'

IMPROVEMENT of information technology (IT) systems is now the number one target for future development by distribution industry executives.

Fuelling that interest is the desire to reduce as far as possible the paperwork traditionally associated with distribution operations.

But complicating the picture is the fact that distribution companies often have to work with a wide range of customer IT systems and service requirements. According to research conducted for the UK Institute of Logistics & Distribution Management's recently published 1991/92 Survey of Distribution Costs, IT improvement has moved from number three the previous year to number one on the distribution sector's "wish list". In terms of areas where changes were being actively considered, IT systems achieved a rating of 13 per cent, ahead of strategy review (10 per cent), centralisation of distribution (9 per cent), and expansion of warehouse and automation of warehouse (both 8 per cent).

"Generally, there appears to have been a shift from a short term focus to longer term issues such as IT and strategic developments," comments the ILDM survey, conducted in conjunction with Touche Ross.

Such thinking is confirmed by leading individual distribution industry executives. Mr John Galloway, logistics director of ASDA Stores, says the high ground for the 1990s will be for the retailers and distributors who plan logistics strategies based on tomorrow's expectations as well as today's requirements.

"And those expectations are the fast and accurate transfer of information and shared experiences," he adds. Distribution industry IT development over the past few years has followed a number of paths. One has involved the establishment by large multinational operators of global systems designed to increase the efficiency of dealings with large customer bases.

Particularly prominent in have been the leading express companies such as TNT, Federal Express, United Parcel Service and DHL, all of which are now important players on the general international distribution scene.

Leading freight forwarders are also moving that way - Swiss-based Danzas, for example, has developed a programme called Danzlink which, it claims, will have a far-reaching effect on European forwarding.

"Danzlink allows shippers to exchange information with both Danzas and any other freight forwarder which conforms to UN/EDIFACT syntax rules, PC (personal computer) to PC and PC to mainframe," it adds. That sort of flexibility will be crucial to future distribution industry IT development, say informed observers.

AREAS OF FUTURE DEVELOPMENT
Wish List

Position*	Desirable	Requiring %
1 (3)	Improve IT systems	13
2	Review strategy	10
3 (7)	Centralise distribution	9
4 (2)	Expansion of warehouse	8
5 (10)	Automate warehouse	8
6	Move into Europe	7
7 (6)	Improve stock control	4
8	Introduce bar coding	4
9	reduce lead time	4
10	Improve efficiency	3

* Figures in parenthesis represent last year's survey results

Source: ILDM Survey of Distribution Costs, 1991/92

IT services group Eyetech, which has worked with distribution companies such as UK parcels carrier Elan, elaborates on that point. "A couple of years back there was a lot of talk among distribution companies about using IT systems development to tie in customers. But that was always a rather naive view - customers were never going to be happy with that sort of situation," says Mr Alan Redhouse, chairman of Eyetech.

"The key is to find systems which are sufficiently flexible, within very wide margins, to deal with anything the customer wants to send or receive. I think we will also start to see the emergence of systems which will suit any carrier."

Another significant area of distribution industry IT development centres on finding ways of enabling smaller distribution companies to successfully participate in the use of EDI and other systems.

The EC, for instance, is supporting a £5m project to test the usefulness of advanced EDI and other information systems for smaller pan-European transport operators. Britain's involvement is being co-ordinated by Professor Michael Browne who is sponsored by transport company BRS to research distribution issues.

"The success of the bigger carriers over the past five years has relied on the ability to use advanced information systems using EDI. We aim to harness technology and make it accessible to smaller operators," he says.

Another marked trend in distribution industry IT development has seen some distribution service companies' focus on the development of case-specific software and hardware solutions for particular local applications.

That is the case at Transport Development Group which includes a range of different UK and Continental distribution companies. Mr Kevin Ashby, IT adviser to the TDG board, says group computer requirements are shared where feasible but individual companies then put in what they need locally "because they are closer to the coal face".

"We have to cater for individual customers' different IT demands and service requirements. Some customers, for instance, will insist that you, as a distribution service contractor, use their systems for things like stock control but may leave you to use your own system for fleet management," he adds.

NFC group UK delivery company Lynx reinforces the need for IT systems flexibility. "For the larger users of our services, it is important to keep data systems flexible, to match their existing supply-chain management information systems in the areas of order processing, materials planning and inventory management," says Mr Kevin Appleton, Lynx sales and marketing director.

Another feature of general distribution industry IT development is a continuing move to expand the scope of such systems beyond simple warehouse and fleet management operations.

TNT Contract Logistics, for example, has just launched a new computer software package called Class (Contract Logistics Administration Services System). Mr Iain Speak, general manager of TNT Contract Logistics Netherlands, says one of the main features of Class is that it allows the company to undertake the full accounting role for clients, in addition to providing them with distribution services.

The advantages of EDI implementation to the freight and distribution industry are summed up by IT company A T & T EasyLink Services. "Companies can exchange transport data with trading partners with greater speed and efficiency and can ensure that the dispatch of goods is monitored at every stage of transportation," claims the company.

Phillip Hastings

DISTRIBUTION SERVICES 4

Competition in UK domestic parcels sector intensifies

US giant wraps up takeover

THE recent arrival of the world's largest package delivery company on the UK domestic parcels scene will further sharpen the already fierce competition in that sector of the distribution market.

The company concerned, US-based United Parcel Service, finally made its move into the UK parcels business at the end of June with the acquisition of privately-owned operator Carryfast.

The latter, which has 17 depots, 350 vehicles and an annual turnover of around £31m, operates one-day guaranteed and three-day guaranteed UK delivery services.

In contrast to the UPS expansion, rival US parcels giant Federal Express had just a couple of months earlier vividly illustrated the tough nature of the UK domestic parcels market by pulling out of that business and other European operations because of continuing losses.

That withdrawal had in fact left only one other of the world's big four express companies, TNT, active in the UK domestic sector. The fourth member of the quartet, DHL, sold its UK domestic delivery organisation Elan to a group of venture capitalists in August last year.

The FedEx retreat this year triggered an important battle for business among remaining parcels delivery operators seeking to win some of the estimated £40m worth of former FedEx business. The market's second largest carrier, Securicor Omega Express (SOE), got a head start by paying FedEx around £7m for the US company's business goodwill and other assets.

But other operators were predictably quick to try and win some of that business away from SOE – market leader Parcelforce, for example, claimed that following the Fedex withdrawal, it picked up an additional £4m worth of new contracts by the end of May.

Looking ahead, the next known big development on the UK parcels delivery scene could well involve the recently-announced plans to privatise Parcelforce. The Royal Mail organisation is reckoned to have more than 30 per cent of the market. It made a loss in the financial year to end-March 1992 of £24m but that was a substantial improvement on the £131m incurred the previous year. Mr Peter Howarth, managing director of Parcelforce prior to his promotion last month to become managing director of Royal Mail, confirms that recession has hit the overall UK parcels business very hard. "There was a reduction of 20 per cent in the volume of express traffic during 1991/92 and a reduction of 40 per cent in the non-urgent market," he says.

To survive in that sort of market, says Mr Colin Millbanks, chief executive of Mayne Nickless group parcels carrier Parceline, companies have had to focus firmly on bottom-line performance rather than, as had been the case until the recession, concentrating on building up volumes.

Security cage system for parcels at Elan

As an example of that trend, he points to Parceline's performance for the year ended June 30, 1992. "Revenues increased 6 per cent, shipments increased 1 per cent but package throughput reduced by 1 per cent and our costs are 1 per cent lower year on year in absolute terms. Clearly we have increased margins considerably."

In addition to the leading players, there are reckoned to be something like 1,000 smaller companies operating in the UK domestic parcels delivery market, ranging from one-man operators to medium-size franchise organisations. Although none of them handles even 1 per cent of the overall market, it is estimated that those smaller operators together account for around 55 per cent of the urgent parcels business and 45 per cent of the non-urgent sector.

"With smaller operations and lower overheads, including the growth of franchising, this area could in time pose a greater threat to the larger established companies than current market influences," suggests Mr Howarth.

Further adding to the competition for UK parcels distribution business, particularly at the heavier end of the market, is a growing move by more traditional road transport companies to upgrade some of their operations to offer faster, time-definite deliveries.

Kent-based Laser Transport, for example, recently entered the UK express market with the launch of next-day, two-day and three-day delivery services.

For their part, established parcel delivery companies are putting an increasing emphasis on the provision of more information and improved customer care.

Stimulating that development, they say, is the fact that customers are increasingly taking for granted the provision of fast, reliable delivery services at acceptable rates.

"Companies are requiring more management information from their express carriers to enable them, for example, to analyse expenditure by departments and service levels used. As companies increasingly need to be accountable, so do the carriers," says Mr David Kennard, managing director of Securiguard group parcels company City Link.

But parcels companies also say that both they and their customers are becoming more selective about the volumes and types of information passed between them. For example, there was at one point a clear move by some operators to introduce systems which could provide customers with fast proof of delivery (POD) information about all their shipments. More recently, though, there has been something of a rethink on that subject.

"It is easy to kid yourself that everyone wants POD information the minute a shipment arrives," says Mr Jonathan Smith, general manager London and South East for British Rail parcels company Red Star.

"But we have found that what most people really want is for us to be pro-active when there is a problem. They want to know what has happened, why and what we are doing about it."

Support for that view comes from Mr John Bintliff, chairman of Elan. He agrees that the main information requirement of most customers is for news about "exceptions", that is, when parcels are not delivered as scheduled. "Initially, we telephoned that information, now we are faxing it direct off screen and in future, I am sure we will use EDI (electronic data interchange) systems," he adds.

In line with that increased customer care, parcels delivery companies are also developing new services and even partnership arrangements to cater for particularly specific requirements.

A recent example of that trend is provided by TNT Sameday, part of TNT Express (UK). It has formed a partnership with Hutchison Paging (UK) to provide a two-hour replacement pager service for customers in mainland Britain and Northern Ireland. When delivering the pagers, TNT Sameday motorcycle riders will display the Hutchison brand on their vests and a magnetic logo on their machines.

Phillip Hastings

Jack Semple examines the increasing environmental pressures

More jam tomorrow on roads

THE transport and distribution industry is finding itself under increasing pressure from environmental influences, which raise many issues but provide few solutions.

Road congestion, which is already regarded by many as a barrier to the UK's economic growth, can only get worse. Transport bosses complain that motorways are starting to become congested at night, as well as during the day.

"The congestion issue will hit the transport industry quite seriously over the next few years," according to Dr Mike Monaghan, director of environment for P & O. The group, which operates barges on the Rhine, is looking seriously at an increase in rail freight and coastal shipping to bypass the roads in Britain.

However, these alternatives will bring only marginal benefit: "The nub of the problem is the private car, not the commercial vehicle. That's where the massive growth has been."

Substantial new road programmes and spending on public transport are needed, according to the Freight Transport Association; but the signs are not encouraging. One leading transport group cites the Channel Tunnel as a frightening example of government "penny-pinching, bungle and lack of clarity.

"They have a hell-bent, doctrinaire approach about not investing in public services. As a result, Railfreight Distribution and its links to the Channel, launched with such a fanfare three years ago, has fallen flat on its face."

The view is widespread. James Watson, chairman of NFC, warned recently that the freight industry will view the tunnel as little more than "an expensive hole in the ground". Transport Development Group's leading cross-Channel operator, Beck & Pollitzer, already hauls by rail to Boulogne, but says it will go on using ferries and the roads for the UK leg of its international operations, after the tunnel opens.

In London, the area of greatest congestion, the government offers its low-cost Red Route scheme, 300 miles of priority routes with strictly enforced parking bans. It promises slightly faster and more predictable journey times for delivery vehicles. Ironically, however, even this programme is proving to be a mixed blessing for the distribution industry, which is already complaining of inadequate access to shops on the trial routes.

Increasingly, transport operators are finding problems even before they go on to the road. Rights of residents and the local authority to object lorry operating bases were introduced in the mid-1980s, but over the past two years have been greatly strengthened through changes of interpretation of existing law.

Apart from dedicated industrial zones, expansion and growth has become extremely difficult, even on some sites zoned for light industrial use. "The government doesn't realise the extent of the problems," according to Jonathan Lawton, a prominent transport lawyer. Showpiece distribution centres seldom have environmental problems; but there are real worries for small- to medium-sized transport operators.

The "headline" environmental issue on lorries, however, is weights. Local newspapers frequently carry news of accidents involving juggernauts or protests against them and the anti-lorry sentiment this reflects has dominated political action for more than a decade.

Gross lorry weight is equated, quite mistakenly, with size. Ironically, since the furore over the increase in weights from 32 tonnes to 38 tonnes in 1983, increases in both the length and (in the case of refrigerated vehicles) width of articulated lorries have gone almost unnoticed.

The controversy over lorry weights continues, however. There is strong support within the Department of Transport for a further increase from 38 to 44 tonnes, to reduce the number of heavy trucks on the roads. Running on six axles instead of five, these trucks would also do less damage to roads, officials believe. A unilateral move by Britain to 44 tonnes, which is already allowed in some EC countries, remains a possibility.

Legislators are in disarray, however, on lorry weights. The method used to calculate the damage lorries do to roads, and also the tax levied on them, are regarded by engineers as crude.

Technical advances in "road friendly suspension", especially air suspension, promise reduced road wear. But the benefits are largely unknown. "It could be 50 per cent or it could be 1,000 per cent," according to Peter Sweatman, who heads a UN-sponsored research programme.

Reducing the environmental impact of exhaust emissions has become a substantial area of cost for lorry manufacturers and therefore, ultimately, operators. While no exact figures are available, Daf estimates that the industry has spent around £150m a year in this one area of research over the past five years.

This is a cost which will continue during the 1990s, as the industry strives to meet stringent EC emissions targets. However, the research is running into the law of diminishing returns. "Clean burn" improvements become more marginal, at the expense of slightly greater fuel consumption.

Manufacturers complain that legislators are doing little to clean up engines in operation.

Operators are now seeking qualification for standard approval

Accent on quality controls

INCREASING demand from manufacturers and retailers for all suppliers to achieve recognised quality standards is now clearly reflected in the distribution services sector.

Contract logistics organisations, road hauliers, freight forwarders, express delivery companies and other distribution service providers are all seeking qualification for British Standards BS 5750, the International Standard ISO 9000 or the European Standard EN 29000.

But while few if any distribution companies of significant size are now prepared to opt out of chasing such formal recognition, debate continues over the real merits of achieving and maintaining BS 5750 or similar standards.

"In a service industry like transport and distribution, the meaning and value of a concept like 'service quality' is still, to a large extent, in the process of being defined and there are strongly opposing views on the value of BS 5750," acknowledges Mr Len Davis, personnel director of BS 5750-accredited third party contract distribution company Applied Distribution Limited (ADL).

"At the one extreme, you have people who will insist that every one of their suppliers must have approval. At the other extreme there are those who dismiss it as irrelevant."

Another BS 5750-qualified company, TNT Contract Distribution, agrees some operators are questioning whether the level of investment in manpower and money needed to maintain BS 5750 accreditation is justified in terms of business growth.

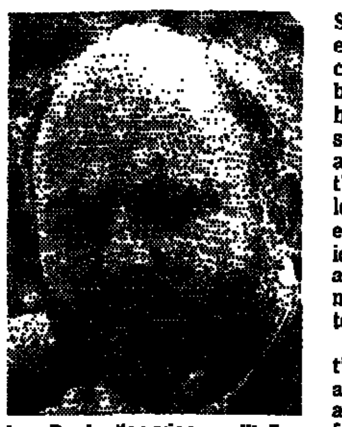
"But we believe the cost can be justified by the continuing improvements in the quality and consistency of service provided and the significant volumes of new business won," adds a TNT spokesman.

Mr Philip Honor, managing director of Transport Development Group logistics company Williams Distribution, which also recently gained BS 5750 accreditation, emphasises that there are internal as well as external benefits to be gained.

"We have found the process extremely useful. Whether or not it results in a direct increase in our customer base remains to be seen," he adds. On the international distribution side, Mr Gerry Burgin, managing director of freight forwarder Trans Global Air, the first UK top 10 forwarder to gain BS 5750 accreditation, is even more emphatic about the merits of such recognition.

"This is without question the way forward in our industry. BS 5750 is a guarantee of quality and excellence in service delivery which more and more importing and exporting businesses require from their freight distribution partners."

Adding weight to that argument, Mr Duncan McWilliam, group quality and customer service manager for TNT Express Worldwide, says there are now more than 7,000 companies in Continental Europe approved to BS 5750/ISO 9000 standards and some 13,000 in the UK "and they are demanding that their suppliers be quality approved". Pointing out that various parts of the TNT Express international and UK domestic organisation are already accredited with BS 5750, he says benefits include the fact that "it requires the development of an infrastructure within an organisation that is able to take corrective action when things go wrong so that the mistake or problem is not repeated".



Len Davis: "service quality" is still being defined

Some companies use specialist outside consultants to help them qualify for quality standards recognition while others have undertaken the work in-house.

The former LEP Group UK contract distribution company Swift Transport Services, for example, chose the latter course. Swift, which was sold by LEP earlier this year to a holding company led by its senior management, recruited a full-time team from within the company. That was followed by a thorough audit of existing operational systems to identify the best methods, and a survey into the attitudes and motivation of employees towards quality improvement.

Initial demand for distribution service companies to achieve BS 5750 or similar accreditation came mainly from manufacturing companies, particularly multinationals in the higher technology sectors. Their interest stemmed from a growing awareness that having implemented sophisticated manufacturing controls, the majority of remaining quality issues were arising after the end of the production line – for example, delays in the arrival of goods or variability in delivery.

Manufacturers' efforts to establish product quality have generally focused on monitoring production processes through systems such as Statistical Process Control (SPC). If that control is established, runs the theory, then there is no need to worry about measuring the output because it will be exactly as required.

Increasingly, the same thinking is being applied in the area of distribution and logistics,

Debate continues over the real merits of achieving BS 5750

says Mr Martin Christopher, professor of marketing and logistics at the Cranfield School of Management.

"If you have got your logistics system under control, in other words you are monitoring and managing the key points along the way, then the output, which is customer service if you like, will meet the customer service levels you want to achieve."

In the past, says Mr Christopher, people used to think of 100 per cent delivery reliability as impossible. But, he points out, 100 per cent is achieved all the time in some areas of activity. If it was not, how many days a year would people be without electricity, how many days a year would the tap water be undrinkable?

Other logistics industry experts point out that if a manufacturer wants to be a single source supplier to a leading automotive industry company, for example, it is taken for granted that it will meet the product specifications or he would not even have been invited to tender. But the only thing which is going to keep that company there as a preferred single source supplier is the fact it delivers the quantity and quality required, on time, to the point of use on the production line.

However, those same sources also point out that gaining BS 5750 or similar accreditation does not ensure a distribution company will meet all its customers' needs. Rather, say supporters of the concept, such standards are likely in future to be seen as simply a starting point, a basic criteria they will have to subscribe to. "Simply having a BS 5750 certificate on the wall does not create a quality company. The only guarantee it makes is that the company concerned has the systems and procedures required to deliver the agreed service," says ADL's Mr Davis.

"Cost-effectiveness, for example, is considered by most customers to be an essential part of service quality. However, BS 5750 has nothing to say about the value-for-money of service provided by an approved company – that judgment is left entirely to the customer."

A similar point is made by a leading international distribution industry executive, Mr John Boyce, chairman of the British Shippers' Council air transport committee. He is a "reasonable supporter" of quality assurance standards.

"But I have to say that achieving such standards will not in itself improve service quality for the shipper. You may get people achieving 100 per cent compliance with the prescribed standard but if that standard is not what the shipper wants, what is the point?"

Phillip Hastings

Safety scare leads to tighter laws on temperature controls

Operators keep their cool

A SERIES of food safety scares in 1988 and resulting UK government legislation have had a marked impact on temperature-controlled distribution activities over the last couple of years.

On the technological side, for example, distribution service operators have invested heavily in sophisticated new temperature-monitoring systems for their vehicles. They have also stepped up staff training to try and ensure higher standards of operational management control.

In a separate development, the movement of fresh produce, in particular, has become an increasingly pan-European affair. And with creation of the European Community Single Market now imminent, that trend is expected to become even more pronounced.

The overall result is that the distribution of chilled and other temperature-sensitive products – often referred to by the industry as the "cool chain" – has become an increasingly specialised business.

Current patterns of temperature-controlled distribution activity began to emerge during the mid-1980s as leading retailers led the way towards consolidated operations.

Previously, retail outlets had tended to take deliveries from individual manufacturers, so-called van sales. "A better cool chain arrived almost by default as improving technology was incorporated into these consolidation centres," comments Mr Mike Burbage, managing director of Wincanton Distribution.

"Also, the type of refrigerated vehicles required for larger consolidated drops were of a better type than those which were used previously for van sales. Numerous other benefits emerged, too, particularly improved information technology systems which enabled shorter lead times, less inventory, better sales forecasting and so on."

Concurrent with those changes, some of the manufacturers who had traditionally tended to control their own temperature-controlled distribution operations began to contract out such activities to specialist service providers. However, while cool chain standards had in many cases already reached high levels of safety and sophistication by the late 1980s, the food safety scares of 1988 undoubtedly gave that development a further boost.

One of the main thrusts of recent UK government legislation on food safety as far as distribution activities are concerned has centred on establishing a series of new temperature control limits for goods in transit. In April this year, for example, it became necessary to ensure that temperature-controlled foods carried in small vehicles (7.5 tonnes or below) are kept at or below 8 degrees C.

The movement of fresh produce has become a pan-European affair

The same stipulation for food carried on larger vehicles was established as law in April last year. As a third stage in that legislation, April 1 next year will see the introduction of regulations requiring certain foods to be kept at or below 5 degrees C, except in small delivery vehicles.

Generally, the UK's new food safety legislation has been welcomed by the leading distribution service operators in that sector. They say the biggest impact is being felt at what is generally accepted as the weakest link in the supply chain – the point of interface with the supplier or manufacturer where each individual driver is responsible for accepting products into that chain.

In that context, Mr Bruce Giles, a regional director with Christian Salvesen Distribution, emphasises the importance of proper driver training. "The regulations mean that the industry needs to make certain that all drivers are equally well trained and equipped to accept responsibility for this crucial decision and for any others that may need to be taken by them throughout the rest of the supply chain," he adds.

Ian Veitch: emphasis on computer-controlled systems

In addition to better training of drivers and other staff, companies operating vehicles in the temperature-controlled distribution sector have also invested in new equipment. One particularly prominent development in that context has involved the widespread installation of more sophisticated temperature-monitoring systems on distribution fleet vehicles.

Mr Ian Veitch, business development director of Exel Logistics Temperature Controlled Services, says there is a growing emphasis on computer-controlled systems which will record temperatures throughout a delivery run. "Some retailers are now saying we should be able to present a complete temperature history of their products," he adds.

Wincanton Distribution has also introduced movable curtains in certain vehicles to segregate chilled products from empty cages which, it says, can carry a lot of latent heat. Other moves by Wincanton include the introduction of dual evaporator fridges and under-slung fridges which reduce noise and operate at lower CFC levels.

Recent years have seen considerable fluctuations in specification demands of chilled distribution vehicles. In the early days of consolidated or composite deliveries, for example, vehicles were often divided into two or three compartments, each operating at different temperatures.

Then, as retail outlets increased in size and drop sizes grew larger, so demand increased for vehicles to make full load deliveries of one particular range of products. Now, says Mr David Howes, managing director of Christian Salvesen Distribution, there are signs of a renewed demand for two-temperature vehicles. "There are two conflicting trends at work. On the one hand, you have the large out-of-town retail stores taking more full loads of chilled or ambient goods. But at the same time, the major retailers are opening up smaller outlets in smaller towns which is once again increasing the demand for composite deliveries."

Another trend in the field of temperature-controlled distribution involves a growing demand from users for added value services. Included in that category, are tray washing, waste management, recycling of packaging materials, bar coding of imported fresh produce, and the in-store maintenance of freezer/chilled cabinets.

Demand is also growing for pan-European distribution operations. That trend, says Mr Veitch of Exel Logistics TCS, is particularly evident in the fresh produce sector. "Manufacturers and suppliers are increasingly looking at the economies of scale benefits to be gained from supplying customers from one European point," he adds.

Further evidence of that trend comes from European transport company P & O Ferrymasters which recently took delivery of 20 x 13.6-metre tri-axle refrigerated trailers to support the development of specialised operations which include twice-daily shipments of temperature-controlled products between the UK and Holland.

Phillip Hastings

Michael Terry looks at new challenges facing companies in Europe

Drive for greater efficiency

EFFORTS by European producers of industrial and consumer goods to rationalise manufacturing strategies and to increase competitiveness are presenting logistics and distribution providers with new domestic and international challenges.

British Steel is aware of the stiff competition it faces in its planned assault on European mainland markets. Physical distribution is an important plank in its campaign and the costs and efficiency of the service will help determine the success or failure of the venture.

The company is engaged in a far-reaching review of its transportation and delivery operations. High on the agenda for discussion is the setting up of regional distribution centres closer to customers and the development of world class information technology (IT) links between production plants, distribution operators and customers.

Meanwhile, the company spends some £375m a year on shipping products to mainland Europe and tends to deal direct with transport operators and suppliers rather than go through forwarding agents.

Its sales in Europe represent about 2.5 per cent of the total European market and the objective is to achieve significant increases.

Its main European destinations are Italy, Germany and Spain, followed by France, Greece and the Netherlands. Short sea vessels under 4,000 tonnes dwt are the main mode British Steel uses to ship products to the mainland, some 64 per cent of the total. Last year the vessels carried 1.8m tonnes.

The use of sea vessels able to negotiate river and canal systems allows British Steel to deliver direct to Duisburg, Paris, Lyons and Bonn without the need for transhipment and double handling.

Mr Patrick Doolan, British Steel director for supplies and transport, a confirmed ship user, concedes the mode faces strong competition from rail. It depends on whether investment occurs in rolling stock and systems on the same scale as for ships.

At present 11 per cent of British Steel's European deliveries are by rail and 4 per cent by combined transport. All British Steel's main works are rail connected as are most of its large customers. It uses Railfreight Distribution's (RfD) conventional wagon train ferry service to France, and, to a limited degree, United Transport's (UT) lift-on/lift-off intermodal units which sail between Hull and Tilbury and Rotterdam on UT ships.

Mr Doolan is unhappy with uncompetitive railway rates, the critical shortage of rail wagons and British Rail's inability to come up with a design for a single wagon to carry the 24 metre beams which British Steel wants to market to the continental construction industry.

He has a limited degree of interest in the Channel Tunnel, arguing that much of its business is not sufficiently time-sensitive to warrant it.

Twenty-one per cent of British Steel's deliveries to Europe go by road. P & O Ferrymasters is British Steel's main supplier of roll-on/roll-off trailers services to the continent. Hauliers have to meet stiff equipment specifications – coil-carrying trailers must have air suspension, rubber-lined wells and a protective tarpaulin covering.

The use of sea vessels able to negotiate river and canal systems allows British Steel to deliver direct to Duisburg, Paris, Lyons and Bonn

Mr Doolan recognises the importance of a partnership between British Steel and its suppliers but insists on maintaining competition between contractors by sharing cargo between different routes.

TNT Contract Logistics is developing a special trailer to make its distribution of car parts to General Motors' assembly plant at Uusikaupunki, Finland, more cost-effective.

Using a combination of covered trailers and rail, TNT delivers 400 tonnes of parts a day from Frankfurt. For the back load only 40 per cent of space is filled with returning empty packaging. TNT has to turn to the open market to fill the rest.

The new trailer has been designed with an hydraulic scissor platform which allows TNT to convert it into a double-deck transporter that can be used on the return journey to carry finished cars.

German forwarder Kühne & Nagel (K & N) first became involved in distribution 25 years ago when its client, Tschi Bo, asked it to organise the distribution of coffee beans whose import it had arranged.

Now K & N organises the roasting of the beans in Berlin and the delivery by road to 5,000 specialist retail outlets throughout Germany. Today, the company also carries out European distribution for Gillette and Phillip Morris.

K & N, an established international forwarder with 350 offices in more than 60 countries, recognised the logistics opportunities emerging in Europe and set up a specialist logistics department in Switzerland.

It acquired companies in Holland and Italy, countries which it identified as offering areas of opportunity.

These acquisitions, together with its 12 existing common-user warehouses in Germany, give the company a strong base for domestic and intra-European services, said Mr Peter Dohne, head of European logistics.

Alert to the re-emergence of rail as a significant freight transport mode, a main board member has now been given responsibility for developing rail services.

The company's Paris office regularly uses the SNCF high-speed temperature-controlled rail service for perishable goods between Paris and Marseilles.

Distribution has become a critical factor in Europe's paper industry. Manufacturers, suffering from a decline in demand and the dumping from overseas of cut-price products, look to logistics to reduce costs and to increase efficiency.

It is a buyer's market where the manufacturers expect their distribution specialists to develop supply systems that result in zero damage and avoid customers the penalty of holding costly a inventory.

St Regis, a leading UK producer of paper for packaging, exports some 140,000 tonnes a year to Europe. Its customers in the Benelux countries and northern France expect orders to be delivered within 24 hours.

To meet this demand the company is setting up down-the-line warehouses to hold stock closer to the customers and thus speed up delivery reaction time. Third party contractors will be asked to provide and manage the warehouses.

In an enterprising attempt to further develop the European market, logistics contractor, TDG, has launched a company providing would-be exporters from the US and the Far East with a start-up service for entering Europe

As well as providing normal distribution services, the market development and management services offered by Prism include business planning, customs, tax handling, sales management, marketing and credit control.

Commented John Cole, head of TDG's distribution division; "The service helps potential exporters avoid any heavy investment risk. It provides us with the chance to create a partnership with a new client."

Japanese eye UK market

A hidden force ready for action

KOICHI SUZUMURA, *chairman of NYK Line* (Europe), smiles and politely declines to put a figure on how much NYK has invested in inland distribution in the UK and Europe. One can say it is substantial, he agrees; and, yes, the rate of investment could accelerate rapidly over the next two to three years, always depending on demand.

NYK, a leading Japanese shipping line, is one of the most advanced of several Japanese transport groups which have quietly been laying plans to become leading players in the European distribution market. It now has 1,300 UK employees, most of whom are involved in inland logistics.

Nippon Express, which by contrast does not operate deep sea shipping, has so far invested £40m in fixed assets in Europe, £9m of which is in the UK. In 1991, rapidly growing net revenue, excluding air freight, totalled £68.5m, of which £15.7m was in the UK.

Other Japanese companies in Europe include Mitsui, a large, diversified trading house, and parcels companies, Yamato and Kintetsu.

These companies pose a threat to existing operators within the market. They have a reputation for being thorough and patient; above all, they have the "inside track" with Japanese manufacturers.

NYK plans to become a "logistics megacarrier", offering door-to-door services, worldwide. In the US, for example, it is now a leading railroad operator, following the acquisition of Southern Pacific Transportation.

Europe is an important part of the global jigsaw. Growth in cargo shipments between Asia and Europe is set to accelerate as Europe unifies and NYK is responding by building "comprehensive distribution capabilities".

The initial emphasis will be on movements to, and between, points of manufacture: "We are not intending to develop our inland traffic to retailers," he says, pauses, smiles, and adds: "As yet."

Mr Suzumura says NYK's transport involvement in the past has started and ended at the dockside. The move inland greatly broadens the scope of the group's activities.

In the UK, NYK has two separate operations. New Wave Logistics, a global logistics brand within NYK, is starting from a greenfield site (its large warehouse in Milton Keynes has Panasonic as an important customer) with a Japanese managing director.

New Wave runs separately, for the time being at least, from UCI Logistics, acquired from United Carriers Group in July 1991. UCI was bought because it has strong market knowledge and gives the company a foothold in inland transport, with a broader customer base than purely Japanese manufacturers.

It contains several long-established road transport concerns: Robsons Distribution, a network warehousing and haulage firm; Hudson Shepherd, a domestic groupage operator; and Thompson Jewitt International, a leading groupage operator between the UK and Europe.

The importance of local knowledge is stressed by Allan Binks, chairman of UCI (and United Carriers) and until the late 1980s a senior executive within Transport Development Group. He comments: "Sony might be the biggest electrical goods manufacturer in the world, but Comet and Currys will determine the way they are delivered to their stores. When it comes to establishing an operation and breaking into the market, it's extremely difficult unless you have got a power base from which to build."

NYK, and other Japanese companies, are likely to buy Continental transport companies in future.

Nippon Express is concentrating on developing logistics business with Japanese manufacturers at present, but says that will have changed by the mid-1990s. Japanese companies will establish a quality reputation in distribution, much as they have in cars and electronics. "There will be a demand for contract warehousing by a Japanese company," spokesman Mark Pester predicts.

Koichi Suzumura: rate of investment could accelerate

Touche Ross consultant Ray Hoare highlights the Japanese strength in finance and planning: "They have a long-termism which the UK has not developed. As a result, they may well achieve the same result in distribution as they have in manufacturing."

While the ambitions of overseas groups such as UPS and Federal Express of the US, and TNT and Mayne Nickless of Australia, are much publicised, the threat from Japan is still not fully appreciated within the transport business, according to Jack Mather, chief executive of NFC (formerly National Freight Consortium).

"The Japanese are the hidden force. They'll come in on the back of Japanese manufacturers – they all trade and link together – and use them as a base. Then they'll spread to other customers." They will offer formidable global systems for shipping, storage and distribution. Kuhne & Nagel and Danzas will be targets. "Even NFC is not big enough. We have to form strategic alliances with shipping lines."

Mr Mather envies the way Japanese groups work together: "They don't have contracts, they have working relationships. I wish we Brits did it."

Jack Semple

Profile: TRANSFESA

Toeing the line

BUT FOR the foresight and persistence of the Spanish distribution group Transfesa, Spain would find it difficult to integrate its railfreight industry with its European partners.

Its trade with the rest of the Community, especially exports of fresh fruit, would be suffering.

Through an accident of history Spain and its Iberian neighbour Portugal have a rail gauge which is 23cm wider than that in France and the rest of the EC.

For years it meant long delays at the Franco-Spanish border points while goods were unloaded from one train and re-loaded into another.

It put the shelf-life of perishable goods at risk and escalated the handling costs of all products.

Transfesa is a specialist in railfreight transport. When it started international operations in 1951 it recognised the need to streamline procedures at the border.

Its engineers identified the need for a facility to quickly change the axles on the rolling stock.

Given the Spanish government's massive support for Spain's export indusury, it is surprising how disinterested the Spanish Railways, RENFE, was in the proposal. So was French Railways, SNCF. Neither of them thought the idea could work.

But Transfesa pressed ahead and invested Pta6.3m ($67,000) erecting two axle changing depots at the Franco-Spanish frontier stations at Hendaye (opened in 1950) and Cervere (opened 1951) and providing ancillary equipment.

The system entails lifting the wagons by crane and is very labour intensive.

The depots have an axle changing capacity of 300,000 two-axle wagons a year and at the moment are changing axles on 140,000 wagons a year.

Last year a new patented automatic system whereby the axles are lifted and lowered hydraulically in a pit was introduced to the Hendaye depot. With the new system each wagon's axles can be changed in four minutes, and four wagons can be changed at once, in eight minutes. A train of 1,000 tonnes can change axles in 50 minutes.

International traffic passing through the depots is made up of Transfesa's own wagons and loads being moved by RENFE and SNCF.

Goods include car parts for assembly, finished cars, fruit, cereals, bulk paper, chemicals, powders and granulated products.

Michael Terry